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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2257



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GROCCERS GIVE MANAGEMENT REFORM LUKEWARM WELCOME

Budapest MAGYAR HIRLAP in Hungarian 26 Feb 82 p 7

[Article by Ivan Gador: "Better Off as a Freelancer?"]

[Text] The Green Grocer Owner Is Almost Impossible to Check On--Why Are There So Few Entrepreneurs?

Let's begin with statistics. Budapest's Zoldert [Vegetable and Fruit Sales Enterprise] offered 45 of its stores for operation by contractors in February of last year. After the competitive bidding they were finally able to lease out 15 of them. In April they again announced another 45 ; this time they had even less success: contracts were signed for only eight stores. In November they doubled the offer and advertised 90 stores; 31 of these found takers. This adds up to 54 produce stores. But in January of this year only 44 of them were still operating under the contractual format. The others broke the contract, and there were some where the enterprise initiated the contract's termination. Budapest's Zoldert operates a total of 360-370 retail units, with about 520 sales locations. According to this, the ratio of contractual stores does not even amount to 10 percent of the total.

This is in spite of the fact that Budapest's Zoldert was among the first enterprises, together with the restaurant industry, to offer leases on a contractual operation basis. And they had every reason to do it. For a decade the freelance produce stand owners have been the subject of jokes, and legends are circulating about their illegal incomes fit for the story-books. This in spite of the fact that the trade has been denying the heresay with undying vehemence, and the truthfulness of these accusations has hardly ever been proven, yet: the work of the produce stand owners can hardly be supervised...

Who Is Envious of Them?

Contractual operation solves everything. The store manager pays a predetermined operating fee to the enterprise, and beyond this he works as he deems best. He gets his merchandise wherever he wants, and sells it for whatever he can get. It is unquestionably in his interest to increase his sales as much as possible, since this is the only way he can make a profit after paying the operating fee. And he needs attractive merchandise to do this, and at relatively moderate prices. Because competition is heavy and on the increase.

But the beautiful idea seems to be running aground, as there are not enough takers. Perhaps the conditions are not sufficiently enticing?

The monthly gross sales for an average one-person store--these are the ones offered for contractual operation--are about 100,000 forints, based on many years of experience. Using the usual and accepted price markups of the trade, a net profit of about 14,000 forints can remain from this amount. But the entrepreneur does not get to pocket this sum. From this he has to pay the contractual fee, heat and light bills, user's fee for the equipment, income taxes and any possible labor costs. The largest, and determining one of the many items is the operating fee, the amount of which last year varied between 12,000 and 16,000 forints at the biddings. Thus it is surprising that as many as 44 takers were found in Budapest.

And there are some, and most of them are complaining simply out of habit. If someone wanted to take the store away from them, they would be very upset. And, obviously, they are not trying to keep the demonstrated losses. Then, what?

Naturally, the honest profit, the source of which is that they obtain their merchandise directly from the producers, rather than from Zoldert's Wholesale Center. It is true, however, that by doing this the entrepreneur also acquires a lot of problems. He has to locate the merchandise himself, and he has to transport it. This costs money, and a tremendous amount of time. That is, another person, and an expert at that, is needed for the store. Thus the profit has to be divided between the two of them. But there is a profit. Because they can buy for less from the producer than from the Wholesale Center. And, why deny it, more attractive goods, which can be sold for prices a few percent higher. And more of it can be sold. That is, the markup is increasing, and so does the volume. In better cases the 14,000 forint net profit can even be doubled. After the entrepreneur pays the operating fee and the other costs from this, they can even pocket 6,000-8,000 forints per person with his partner. They work 12 hours a day for it. And they accept all the risks of independent commerce for this. If someone is envious of them for this...

What, or Whom, Are They Waiting For?

Of course, the entire calculation above is valid only if we take a store in a good location, and one capable of high sales volume. Most of the stores advertised are not like that, but small stores in outlying areas, with which the Zoldert has not had much luck, either. They have not been closed down only because the district councils were opposed to it in the interest of the population. This, of course, is proper. But under today's circumstances how can any undertaking be forced to conduct an operation at a loss? Obviously only if that loss is reimbursed to them. Certainly the councils have no means, nor can have any means to do that. But they do have the means to authorize the expansion of the sphere of activities of the stores now operating at a loss. If in a suburban environment, where many things are grown around the house, a store operation cannot make a living by selling vegetables and fruit, why could he not sell other things besides these for which there

may be a need in his area? After creating the appropriate conditions, why couldn't he sell slaughtered poultry, salami, milk and bread, newspapers, cigarettes, or even wine?

All that would be required for the foregoing is to modify the Budapest Zoldert's founding charter, and the district council would have to agree to it. (Wine is a different question. A good 4 years ago the Ministry of Domestic Commerce defined by regulation the sphere of those stores which may sell alcoholic beverages. The produce stores were at that time left off the list. It is true, however, that in spite of this the consumption of alcohol has not decreased. Could it be that this does not depend on that regulation?) Expanding the range of merchandise would in a all certainty make these out-lying small stores viable. The enterprise, the businessman, and above all the population would come out ahead. So then, whoever is waiting, what are they waiting for?

Gnashing the Teeth

By itself the contractual format of operation is no miracle cure. A number of conditions have to be fulfilled in order for the contracting entrepreneur to be successful. Because what can such a contractor expect who can perhaps prove some kind of professional training in commerce on paper, but until now he has only seen vegetables at the most on his plate? And what can the enterprise expect from an entrepreneur whom in the past it had encouraged to quit because of his persistent inventory shortages? According to the regulations now in effect, neither of these may be excluded from the competitive bids. Even though in their cases later failures can be made a probability. And whoever knows even just a little about commerce, knows: even a flourishing store can be ruined very quickly. But a bad store can be maneuvered to the top only with several months of persistent and knowledgeable work sparing no financial sacrifice.

But most of the stores advertised are doing far from well. People not far from retirement are playing at work in them, with a loss. When they find out that their store is being advertised, the last thing on their minds is to bid for it. And if someone else happens to come along who would still be willing to give it a try, and asks them about the local opportunities, they certainly do not tell them anything to cheer up their enthusiasm. Why should they? Who wants to change jobs just a few years before retirement? Their fish is a small one, but they have gotten used to cooking it for their supper. Of course, there are some store managers who own a bigger fish. The course of a competitive bidding for a store in the inner city, with high volume, may give reason for some suspicious conclusions.

The store was advertised, and there were a number of applicants interested in it. The competitive bidding was announced according to the way it is usually done, and a tooth-gnashing bidding process began. Finally the manager of the store won the contract by paying a good 50 percent more than the announced price. The managers of the enterprise just shook their heads. They knew that this amount of money was simply not in the store. But, it seems, the victorious "competitor" also found this out, because when contract signing

time rolled around, he shook his head and said no. What could be done? They made him pay some consolation fee--he did not go bankrupt because of it--, and he continues to manage the store--as a free lancer. For how long--who knows?

The store is being advertised again this year. According to the statutes, this store manager cannot be excluded from the competitive bidding. He will compete, and he will bid--gnashing his teeth...

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WAGE SYSTEM ANALYZED, PAY DIFFERENTIATION URGED

Budapest PARTELET in Hungarian No 3, 1982 pp 18-22

[Article by Istvan Marko: "Wage Regulation in Enterprise Management"]

[Text] Nowadays it is a rather general view that our wage practice provides incentive to greater achievement and to increased efficiency only in a limited way that is less than necessary. This outlook not only reflects the actual tensions of the wage system but also many erroneous concepts which unquestionably have an important role in the fact that the material incentive is not what it indispensably should be. There are many possible answers to the questions about the situation but before I take up the most essential I would like to state: wage management experiences show that the present wage regulation and wage system affords more possibilities than is now recognized or used by the enterprises.

Many things could undoubtedly be said about the existing wage system but not that it is perfect. Nor does it excuse weaknesses if we know that an absolutely perfect solution, one which will create good conditions for the relations between work and wages everywhere and at all times, can hardly be imagined. But it is a realistic demand that we put an end to several well-known weaknesses as we create the possibilities. I would like to emphasize that this is not merely a question of intention. For this reason we cannot approve a management practice that by pointing to obstacles delays undertaking measures which would better exploit existing possibilities and in the final analysis reduce the seriousness of negative factors.

Incentive success requires that the managers take better advantage of present possibilities. It is not enough to recognize that wage payment by achievement and the elimination of equality is a factor which speeds up development, but the practical application of the principle must also be undertaken.

Greater Achievement Cover

It is a well-known relationship that the volume of distributable goods and the satisfaction of the population's needs depends on available resources. In other words, we can only distribute what we have available. This means that the living standard of the population cannot significantly and over the long term deviate from the economic-social development that has been already attained. The progress cannot exceed what the country's production, productivity

and balance situation and the achievement of the economy make possible. Thus the development of the population's living standard and income is limited by the size of the national income or by changes over time.

It is a fact that in the past year the economy developed essentially in the direction set forth by the plan, but this cannot obscure the fact, the circumstance, that we achieved the basic goals of the plan--improvement of the equilibrium and the guarding of the living standards--with more moderate achievement. This also played a role in the fact that domestic consumption (consumption and accumulation) continued to exceed national income even though to a declining degree. In industry, the construction industry and agriculture, production and achievement increased to a lesser extent than expected. At the same time wages and earnings rose more than planned, and the wage outflow was greater than had been estimated. In the material branches, earnings rose 6 to 6.5 percent as compared to the planned 5 percent. What we are speaking of here is that formerly the living standard rose more rapidly than the economic achievement of society, and now even a lesser wage transgression which is not economically supported can endanger the establishment of equilibrium. Our economy is not in a situation where this process can be continued, or that wage and income outflow not proportionate with actual achievement can be repeated. Therefore the task that faces us now is to coordinate the population's consumption and the economic achievement capability of society. Among other things, this means that in the interest of the economy's equilibrium we need stricter requirements: this year there had to be a greater achievement cover behind every unit of wage increase.

This year the economic plan is counting on a 4.5 percent increase in nominal wages. Our bent for overfulfillment warns us that a strict restraint on wage outflow is unavoidable. A stricter conditions system of wage management compels the enterprises on one hand to carry out more efficient management and on the other hand recognizes greater achievements and better enterprise results. In most of the producer sub-branches, the regulation for wages and earnings make it possible for earnings to rise appropriately in case of a substantial increase in achievement. That is to say, a stricter regulation does not mean, as has been suggested in some places, that it is impossible to earn more with greater achievement.

Stricter wage regulation, therefore, seeks to assure the balance of purchasing power in such a way that with more favorable economic results more income is gained, and with less favorable results less income is gained. As a consequence of the sub-branch and enterprise endowments and the economic requirements that vary by areas, a number of wage regulation forms operate simultaneously. In most of the material sub-branches, however, we use a wage regulation that is bound to achievement. In every profit incentive area, enterprise wages can be increased as a function of achievement. It is true that the situation of the enterprises varies and the possibility of wage development is partly independent of the work of the enterprise collective, but it is also true that the managers of the enterprise collective can do a great deal to increase results.

There is less and less disagreement over the fact that in regulating wage increase possibilities it is necessary to consider the profit and the results

of the work. It would result in significant harm if the possibilities for increased earnings would be blurred among enterprises with different results. There is need of wage differentiation among the enterprises, of course, not merely for sake of difference itself, but in order that the achievements, or the international competitiveness of production should increase. The incentive wage system, appropriate wage differentiation, is called on to smooth the road to this end.

It can be concluded from all this that obtaining and maintaining an economic advantage requires us to create a greater possibility than up to now for wage differences among the various managing organs, and for intensifying incentive to this end. Despite its acknowledged necessity a greater wage increase difference causes certain social tensions. We must reckon with this since we have not as yet been able to divorce ourselves from a practice that is inclined to equality, nor have we made adequate progress toward evaluating achievements by their worth and quality aspects. It is not certain that uniform or perhaps various activity in volume will stand competition on the market. The decisive thing is this: which product is a source of greater quality and greater usefulness.

Tension is not excluded, and still it appears that the fear of it is greater than reality would justify. Proof of this is in the experiences of the past 2 years when wage development possibilities of the enterprises were spread more widely than usual--between 3 and 8 percent--and yet no particular tensions arose.

The rules make it possible this year for rapidly developing enterprises to have more favorable wage development possibilities. The wage management conditions of enterprises that are permanently managing well are improving: the tax-free wage level increase which can be implemented this year is 3 percent. Thus the wage development of an enterprise--if it has the achievement cover--is tax-free to a 12 percent increase of the wage level.

All this provides a great possibility for the enterprises--by taking advantage of their endowments--to achieve outstanding results. The incentive is given inasmuch as the change makes it possible for a dynamically developing enterprise to have adequate wages. It is another question what enterprises are capable of exploiting the possibilities. With the fact that outstanding results are assured from the wage aspect, we pull the ground from under many obstacles, in some cases from under alleged grounds, and the result can be not only moderation on achievement restraint but a development of the whole economy through better enterprise management.

Better Use Of Possibilities

It has also been much debated whether a wage increase depends on an improvement of results as compared to the previous year, or whether it builds not on the management level but its alteration. This weakness of the wage regulation as bound to achievement--the so-called increment incentive--is moderated by the system of wage reserves and wage advance payment. But this year's regulation represents a new advance. According to the modification,

the high profitability enterprises can to a certain degree raise wages in addition to the wage development subsidy. This possibility solves short-term thinking and indirectly promotes the renovation of the product structure in that enterprises need not fear that wage development possibilities will be narrowed at the time of product changes. In addition, it should be noted that enterprises are less familiar with that possibility of wage regulation which makes a correction possible if as a result of the product change it is necessary to have more skilled and wage-intensive manpower.

One of the requirements posed on wage regulation is that it should stimulate the rational use of manpower. The regulation tries to meet this by making it possible for enterprises to use the wages saved in personnel reduction, or a part of it, for wage increases. At present the wage bill saved from personnel reduction can be used annually for up to a 3 percent wage increase. This is not a small possibility because it is valid for about two-thirds of the enterprises or those which operate within the so-called wage bill regulation limits.

The debate is over whether this possibility adequately stimulates personnel management or not. Of course, it is possible to draw a number of deductions. To make proper judgment, we must consider a number of matters. For example, whether this year's tightening of the wage regulation increases the interest in personnel reduction, whether some of the enterprises lack planned manpower management, and whether the release of superfluous manpower is being postponed. For a significant share of the enterprises there is an incentive for personnel reductions of more than 3 percent. This is helped by a measure according to which wages above the permitted extent can be carried over into the next year. Thus wages saved by personnel reduction are not lost for the enterprise account.

Despite all these things, the incentive for personnel reduction is not clear everywhere. One thing is certain: the changing requirements and the varying possibilities do not guarantee for any enterprise the possibility of carrying out the same wage development every year. As a consequence of the varying development of management results, fluctuations in wage development may significantly moderate the means assured by regulation. This is helped by the possibilities for wage advances and wage reserve, and for wage reserve utilization.

Nevertheless, the wage regulation system affords the enterprises decision possibilities which must be exploited in harmony with the management as a whole. To the extent that they are increasing the success of their work, that is, they are working with high efficiency, there are possibilities for worthy wage increases given present endowments. The internal incentive system is adjusted more or less to the characteristics, and therefore it shows a varied picture. But by and large the enterprises can be classified in two groups: one in which the wage development is centrally determined among the units to essentially the same degree, and the other in which the wages for the internal units are made a function of the achievements.

Incentive to greater achievements is clearly realized when the internal incentive system mediates to the individual departments as well as possible the requirements deriving from overall enterprise interests. The incentive must, therefore, be linked to the fulfillment of such indexes as best serve successful management of the enterprise. For this very reason, the material means that can be devoted to personal incomes must be divided on the basis of realistic assessment according to requirements that are broken down more widely and in a more deep-going manner than before. But it is still not rare to have development possibilities that are distributed uniformly, that is, even where it is not justified the enterprises centralize to an unsound extent the material means serving to provide incentive to the units.

As a consequence of such and similar experiences, more and more people maintain that the wage and earnings regulation system restricts material incentive to the individual. The enterprise achievement is not a fact equivalent to the total sum of individual achievements. Thus it may happen that the wage sources will prove too small for the individual achievements, or that it will have the effect of restraining achievements. With the application of appropriate methods, this negative effect can be significantly reduced, since earnings regulations do not exclude incentive for the individual. The basic question is to what should we give incentive in individual achievement. If the incentive increases enterprise success, the wage development possibilities can also expand.

We are at that phase in economic development where progress can be established exclusively with the intensification of production efficiency. Therefore, incentive to this end is a requirement which we cannot give up. And thus we also need to exploit those resources which are expressed in the different talents of people, in their will and their achievements. All this, however, assumes a differentiation proportional with achievement even if this is still accompanied by problems and conflicts. No one can easily maintain that under our relations it might be easy to evaluate work and achievement in such a way that those affected will in all instances regard it as providing incentive and being just. Since society agrees with the principle of socialist distribution, we must say: it is a difficult but not unsolvable task to adapt this practice in an appropriate way. The economic and political leadership must proceed from the viewpoint that just wages better linked to the quality of achievement has its partisans and supporters, but only if it gains open authentication, that is, if those interested clearly understand the measuring and grading principles and methods.

A more consistent realization of distribution according to work and the development of earning ratios which recognize actual achievement require that the enterprises should pose realistic achievement requirements, that special reward should not be given for the carrying out of tasks deriving from job area classification, that the evaluation of task fulfillment linked to premiums should be consistent, and that the wages should not include socio-political elements.

Realistic Requirements and Evaluations

The solution of all these things is not simple if we think of our present practice. Achievement requirements do not even exist at many places, or are unequal. There can hardly be clear achievement requirements for the basic wage system, particularly in the intellectual and administrative area. Both from the point of view of incentive and employment policy, support for important requirements serves our goals, however, only if they are correct and well-founded.

A solution is not worth much if it adjusts beforehand the task to the attainable earnings. It is important from the viewpoint of incentive efficiency that the present practice be changed which guarantees everyone--independently of achievement--the attained earnings. We must strive to see that the requirement is linked to earnings as a whole, not only to the surplus. In this respect, we must struggle consistently against the attitude that "wages are due" and it is only worth working for the surplus. We must eliminate the rewards or premiums that are attainable without hard, decent work. It should also be fixed in practice that we do not help the needy with unearned wages but by creating conditions which assure decent wages that are worked for.

The most important task in wage policy is to see that the difference between differing achievements should be more important, as well as between those performing merit and routine work. It is particularly important that we give more incentive to constructive workers, those who have potential influence on the conditions and efficiency of the productive process.

An intensification of economic and political work, no less, is necessary to see that the management does not evaluate the work performed superficially, piece by piece, line by line, but rather by the quality aspect of achievement. This is how it becomes clear that people offer different achievements and thus the wages for their work must also be different.

Selection of the wage form should not be underestimated in defining the direction and strength of incentive. Appropriate pay for achievements requires that progress be faster toward the use of wage forms that provide greater incentives: in the wider use of group wage payments, individual quality wage payments, the various kinds of premium time-wage forms linked to material and energy savings, and the maintenance of standard quality.

The wage system, of course, can be of an incentive nature only if the workers have the possibility of responding to the incentives. Good work performance has both its external and internal conditions. Given an uncertain material supply, a lack of adequate organization, and cooperation problems, it is difficult to give incentive to greater achievements. Therefore the material recognition for achievements means true incentive only if it is based on factors whose development depends primarily on the work of those interested. It is the duty of the enterprise management to create the possibility for continuous use of work time, and the conditions for attaining higher achievements.

HUNGARY

HUNGARY VIEWS EUROPEAN ECONOMIC COMMUNITY

Budapest NEPSZABADSAG in Hungarian 24 Feb 82 p 10

[Article by Miklos Losoncz, associated with the MTA [Hungarian Academy of Sciences] World Economics Research Institute: "The Consequences of EEC's Strategy"]

[Text] By means of its second expansion and the extension of its contract system, the EEC directly and indirectly influences an increasing sector of the world's economy. In the early 1980's the Common Market already tied itself to more than 70 countries by means of bilateral and multilateral international legal agreements of various contents. In 1973, when Great Britain, Denmark and Ireland became EEC members, the Common Market entered into a contract with the EFTA [European Free Trade Association] countries (Austria, Finland, Iceland, Portugal, Norway, Switzerland, Sweden) concerning the creation of an industrial customs-free zone. Creation of free industrial trade is also in progress with Spain and Greece. These two countries and Portugal will become full members of the Common Market in the 1980's, and indeed Greece has already been accepted as a member of the EEC. As a result of these contracts, all Western Europe will be spanned by an industrial free trade zone. With the developing countries of the Mediterranean region (Malta, Cyprus, Algeria, Tunisia, Morocco, Egypt, Lebanon, Jordan, Syria and Israel) the EEC entered into either mutual contracts concerning reduced customs, or ones containing unilateral customs decreased by the EEC, as well as cooperative contracts aimed at developing trade and industrial cooperation.

Trade Policy Contract System

The extent of the Common Market's expansion in the world's economy is well illustrated by the fact that while the export of its six founding countries totaled 23 percent of world exports in 1960, by the end of the 1970's the EEC and the countries which have reduced customs contracts with it, supplied 45 percent of world exports. In 1960, the exports of the six founding countries to each other constituted 6 percent of the world's total exports, but by the early 1980's almost 30 percent of the world's exports were sold within the customs-free zone of the Common Market's contract system.

The expansion of the EEC-centered trade policy contract system, and the increase in that spectrum of the world's economic processes which is directly

or indirectly regulated by the Common Market, also affect East-West relations and due to the intertwining of economics and politics it can also be suitable to exert political influence mechanisms. This is possible in spite of the fact that instead of complete integration, that is, instead of economic-financial union and political union, the Common Market's integration according to the indications continues to be selective. Instead of the entirety of the economic and political spheres, integration encompasses only certain areas of it, and indeed in the political area integration does not exist at the present time even in the selective form, rather, one can speak only about efforts for unity, occasionally taking a unified stand and coordination.

Five Areas

The Common Market's second membership increase just around the corner, and the expansion of the contract system indicate that at this time growth is more characteristic in the breadth of integration, forces active in the direction of expanding in the world's economy prevail, instead of, or in addition to, further deepening of the distribution of work among the member countries.

A consistent Common Market strategy has not developed in the political area because of the differing national interests. The fact that in the most vulnerable areas of the Common Market's integration, in military policy, in financial and energy policy, the development of EEC-level strategy either did not take place, or the attempts at these thus far have not resulted in significant reduction of dependence from the United States of America, places limitations on the Common Market's maneuvering opportunities. On the contrary, in late 1981 and early 1982 this dependence even increased. The United States, under the pretext of the events in Poland, exerted and exerts great pressure on its allies--unfortunately not without results--to shape their economic ties with the socialist countries according to American political considerations.

So far the EEC has achieved its most significant results in economic policy. The foreign economic policy is the best developed element of the Common Market's strategy, the effects of which radiate over to the largest extent to East-West relationships.

Customs rate preferences form the most important element of the storehouse of the EEC's foreign economic policy tools. Expansion of the EEC's preference system affects the exports of the CEMA countries in five areas.

The industrial free-trade agreements between the Common Market and the EFTA countries which did not join the EEC (according to which customs duties and import-affecting taxes on industrial products are eliminated as of 1 July 1977); general UNCTAD [United Nations Conference on Trade and Development] preferences, the amount of which increases every year, assured since 1972 for the finished and semifinished products of the developing countries; the preferences created by the Lome Pact between the Common Market and the 60 developing countries; industrial free trade implemented as of 1 July 1977 between the Common Market and the developing countries of the shores of the

Mediterranean basin; and [fifth], Greece's actual full membership in the Common Market and the impending full memberships of Spain and Portugal. These have significantly increased and are increasing the competitive advantages of products competing with the industrial products and some of the agricultural products of the CEMA countries, and the competitive disadvantages of customs-duty-sensitive industrial products in the Common Market's member countries.

In exchange for the customs duty policy advantages extended by the Common Market, the countries enjoying these advantages (with the exception of the countries of the Lome Pact) have also created preferences for the EEC's member countries on their own markets. As a result of this, the exports of the CEMA countries are placed into a disadvantaged position in the favored developing and Southern European countries as well as on the markets of the EFTA countries.

"Import Regulating" Measures

The competitive position of the CEMA countries was made worse by the sector policy of the Common Market in some branches which are lagging behind in the world economy's structural transformation process, and which belong in the area where there is an international structural oversupply. Import-regulating and -limiting measures were introduced in the textile clothing industry and in the iron and steel industry under the pretext of creating the conditions for an "organized retreat." Pressure will very probably increase in the future to place Common Market-level discriminative measures into effect in other branches which need "protection by the economic policy": in the leather, shoe, shipbuilding, and porcelain industries, in some chemical industrial branches which produce certain semifinished products, in the aluminum industry, and in the domestic electronics industry.

The Common Market's contract system, the application of an investment code with which the EEC countries want to insure protection of their capital investments directed to the developing countries against political and economic risks (for example, nationalization), and the system of aid programs which mobilize rather modest resources extended to developing countries which have institutional links, or a contractual relationship with the EEC, create favorable conditions for the investment of private capital by the Common Market's members countries. These factors, even if not to a great extent and only indirectly, nevertheless also have a disadvantageous effect on the CEMA countries.

The full weight of the effect of the Common Market's economic policy will develop in the early 1980's. Some noteworthy trends can already be deciphered from the statistical data. Common Market foreign economic policies make export from CEMA countries more difficult across the board. This can be seen if these exports are broken into products effected and those not effected by the technological-structural changes currently taking place in EEC. The internal increase of the division of labor and the non-CEMA external expansion in sectors effected by the current technological-structural changes exacerbate marketing opportunities for CEMA countries. Import

regulations, selected protectionism in the non-effected sectors, favors granted in these sectors to countries in formal relationships with EEC, and the penetration of low cost products from the LDC [Less Developed Countries] of Southeast Asia and Latin America into the EEC represents further sources of competition for CEMA mark

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DIFFICULT CONDITIONS FOR INDUSTRIAL FIRMS TO PERSIST THROUGH 1982

Budapest NEPSZABADSAG in Hungarian 17 March 82 p 10

[Article by Dr Marton Peto: "Industrial Enterprises at the Beginning of 1982"]

[Text] The industrial enterprises are beginning the current year amid the same external and internal conditions as last year. The orders which affected the operation of the enterprises--the modification at year's end of the price and regulator system, the preparations for the conversion to the five-day work week, and other measures--did not cause difficulties at the start of the year, and in fact helped to a certain extent. The various orders for economic management, the situation and development of the problematical sub-branches (for example, metallurgy and coal mining), the improvement of the workers' living and working standards, and so forth also improved enterprise working conditions.

The Market Situation

With its survey last August, the Economic Research Institute also judged the possibilities of domestic marketing as favorable and forecast an increase of about 3 to 5 percent for this year. According to KSH [Central Statistical Office] data, the volume of orders in sub-branches which make up most of socialist industry was 4 percent more at the beginning of the year than a year ago. At the beginning of the year about 40 percent of the machine and light industry enterprises that were studied thought the prospects for domestic marketing were better than last year's. A livening of production relations among enterprises is made likely in that demand is increasing within the industry for products meant for further processing. The value of such orders, particularly in the machine and chemical industry, increased by more than 10 percent. As the desired reaction to earlier instructions, the volume of investment-type orders decreased this year, and the volume of orders accepted by the building industry was also considerably smaller.

Market prospects in nonruble trade, according to most enterprises, are more favorable than last year. The volume of orders is 15 to 20 percent more than a year ago, in part because of the relatively low level at the beginning of last year. Forty percent of the 130 enterprises included in the study at the beginning of the year and representing 70 to 80 percent of

the sub-branches judged the export possibilities for ruble account trade to be more favorable than last year, while 18 percent regarded them as less favorable, among other things because of quota problems and contractual uncertainties.

At the time of last year's August survey, the enterprises were counting on a strong export increase in nonruble trade. (Following last year's decline, the metallurgical enterprises were confident of a 60 percent increase.) Competition, however, is increasing on foreign markets, the upswing in the iron and aluminum industry is delayed, and the marketing problems of the chemical and light industry enterprises are also increasing. At the beginning of this year as compared to last year, nonruble orders in the observed sub-branches of industry increased considerably in metallurgy, while in the machine industry the orders correspond to last year's level, and in the other sub-branches there was a decline.

The problems of a nonruble export increase also reflect the views of the enterprises to a certain extent. In August of last year 40 percent of the enterprises that were studied counted on an improvement in the market, while in February of this year only one-fourth regarded the export possibilities as more favorable. The machine enterprises forecast only a slight improvement. In the middle of last year, almost one-half of the chemical industry enterprises that were studied regarded the market situation as an inhibiting factor, at the beginning of this year more than three-fourths. In the light industry the ratio of enterprises judging the capitalist market situation to be more favorable declined. Despite all the problems, information indicates that as the result of the measures and efforts the nonruble exports of the industrial enterprises (excluding the food industry) can be expected to expand according to the plan.

According to the survey conducted in August of last year, the metallurgical and chemical industry enterprises pointed to the market situation and to profitability as the main obstacle to a vigorous increase in nonruble export and the machine and light industry primarily to a domestic material and spare parts supply and manpower shortage. In the view of two-thirds of the machine industries studied at the beginning of the year and more than one-half of the light industry enterprises, the possibilities for domestic purchases are poorer this year than a year ago. The problems of the domestic support industries and the incidental problems of ruble-account imports inevitably increase the nonruble-account import demand which is also increasing in response to other factors.

Production at Year's Beginning

The January 1982 production of socialist industry (excluding the food industry) declined to a slight extent as compared to the relatively larger production of last year. Although it is not advisable to make far-reaching deductions on the basis of the first month's production figures, it is still worthwhile, even though sketchily, to review several component factors of the production development. In addition to other factors, the low January achievement of

give reason for some suspicious conclusions.

The store was advertised, and there were a number of applicants interested in it. The competitive bidding was announced according to the way it is usually done, and a tooth-gnashing bidding process began. Finally the manager of the store won the contract by paying a good 50 percent more than the announced price. The managers of the enterprise just shook their heads. They knew that this amount of money was simply not in the store. But, it seems, the victorious "competitor" also found this out, because when contract signing

industry was due to the reduction by 8.5 percent in the number of hours worked as compared to last year (because of a smaller work-time base, fewer personnel). Production per hour worked was 8 percent more (in metallurgy, the chemical industry and the light industry 9 percent) than in January of last year.

The machine industry decline which considerably influenced the January achievement of industry--to a large extent also because of the rush work at year's end--is obviously only a temporary phenomenon, and information indicates that for the year as a whole we can count on an increase surpassing the industrial average. According to 48 percent of the machine industry enterprises that were studied, the possibilities for capacity use are better than a year ago, and according to about 40 percent the conditions for technical development and the transformation of the product structure are also more favorable. (All this also makes an increase in nonruble export likely.)

In August of last year, a large share of the industrial enterprises were counting on a decrease in personnel. However, this is not always the result of research and utilization of productivity reserves or organization improvements, but in some cases is only the registration of a "natural" decline in personnel.

In regard to production and achievement, more and more enterprises regard existing personnel as sufficient, and in fact in some cases even more than necessary. According to the metallurgical and construction material industry enterprises that were studied (almost two-thirds of the chemical industry enterprises), the personnel is sufficient for planned production. In certain areas of the light and machine industries, as well as Budapest industries, they regard their personnel as less than required by their tasks.

A considerable share of the enterprises still regard the manpower problem as a factor not depending primarily on the activity (also) of a given enterprise. Enterprises, for example, do not always raise wages in relationship with achievements. In recent years it has become a rather general practice for 30 to 40 percent of the wage increase to be given in the last months of the year when expected results are known. In 1980, 40 percent of the annual wage increases came in the last two months of the year, 29 percent in December, while in 1981 the figures were 32 percent and 22 percent.

In last August the enterprises that were queried forecast a 6 percent wage increase for 1982. In response to the 1981 year-end modification of the price and regulatory system, the rate of wage development was reduced at year's beginning by 4 to 5 percent. The change in the regulators affected the enterprises in various ways, and thus the wage increase possibilities are also different (for example, they have wage reserves of differing degrees, personnel reduction measures are different, as well as the degree of growth in efficiency). Fifty-seven percent of the enterprises that were studied thought a wage increase of between 3 to 5 percent was likely and that the spread in the extent of wage increases would not be significant from enterprise to enterprise and from sub-branch to sub-branch.

In response to uncertainty factors also, the enterprises at year's beginning are holding back from more significant wage increases. (This was particularly characteristic of the beginning of 1980.) This year the observed enterprises paid out 53 percent of the planned wage increase in the first two months of the year. Also according to January data, the extent of the wage outflow was greater in the beginning of 1982 than formerly. (The average monthly wage of employees in January as compared to January in the previous year rose by 5 percent in 1980, 4.4 percent in 1981 and 8.1 percent in this current year.) The rate of wage increases is influenced in every enterprise by characteristics, possibilities and various factors. Not even in the sub-branches can a particular relationship be established between the annual rate of wage increase and the fulfillment ratio of the first two months. Even enterprises calling for a wage increase of less than 3 percent and between 6 and 7 percent paid out in both cases about one-half of the planned wage increase by the end of February.

Investment Intentions

The 1972 plans of the industrial enterprises (excluding the food and construction material industries) included considerably greater investment sums than the economic goal called for, about 10 billion forints more (chiefly in the case of the machine and chemical industry enterprises). One of the decisive factors in the divergence from the plan was that they counted on considerably more investment credits than planned. Thus for the realization of their investments--particularly in respect to external sources--the financial limits are important.

In response to the year-end price and regulator system modification of last year, the investment intentions of the enterprises were subject to supervision and reduction. Thirty-nine percent of the enterprises that were studied reduced both development and maintenance investments for 1982 in their Sixth Five-Year Plans as compared to the target; 19 percent reduced only the development investment and 13 percent only maintenance investment targets, while 29 percent did not modify either. In the Sixth Five-Year Plans the enterprises in question planned to start about 200 investments in 1982. But at year's beginning there was cover only for 42 percent of these investments. The likelihood of a start generally decreases with an increase in the investment sum (also because of the increasing need for external sources). But the cover is already provided for more than one-half of the investments that are linked to some kind of special program and have a value of over 500 million forints. In most cases, the enterprises do not give up their more important development or structural transformation ideas, they merely delay their realization. At the same time, given the more difficult conditions deriving from the external and internal economic conditions that are not always favorable and from stricter regulations, they intensify their efforts on behalf of adjusting to the more difficult requirements, the making up as soon as possible of profit decreases, and in the final analysis of improving the equilibrium of the economy.

ACCELERATED RAILROAD ELECTRIFICATION PLANNED

Warsaw TRYBUNA LUDU in Polish 16 Mar 82 p4

[Article by Tomasz Miecik: "With Electricity Towards Modernity -- Railroad Electrification Rate Doubles"]

[Text] Somewhat in the shadow of the decisions to build a metro in Warsaw and then in other cities of the country, we find the decision for substantially accelerating the railroad electrification rate is seeing the light of day. This is strange, because both these undertakings have a common denominator, the modernization of previously neglected mass transportation based on electricity.

Of course there are various ways of modernizing mass transportation, but in times when nowhere in the world there is overabundance, especially in our country, it is a question of its being effective in technical terms, of its operating to the greatest possible extent on the basis of domestic power sources, of its being as energy-efficient as possible, and, finally, of its being as harmless as possible to man's environment.

Well, electrified transportation meets all these requirements. In the foreseeable future under the conditions of our country, modern transportation is going to be electric transportation.

At the present time in our economy there is no issue more important than thrifty management of raw materials, and this includes energy sources. Many authors have recently written about the metro's advantages in this regard. For this reason we will not go into the related benefits stemming from railroad electrification.

Now, electrification of the PKP [Polish State Railroads] converted up to the present time has produce coal savings exceeding 70 million tons, which means that it completely paid for itself, because the average cost of converting a kilometer to electricity in 1980 was 6 million zlotys. This could be considered a great deal, if we were to forget that the conversion of a line to electricity always involves its basic modernization, improving the safety of railroad traffic, the construction of stations, tracks, and so on.

nesses that vary by areas, a number of wage regulation forms operate simultaneously. In most of the material sub-branches, however, we use a wage regulation that is bound to achievement. In every profit incentive area, enterprise wages can be increased as a function of achievement. It is true that the situation of the enterprises varies and the possibility of wage development is partly independent of the work of the enterprise collective, but it is also true that the managers of the enterprise collective can do a great deal to increase results.

There is less and less disagreement over the fact that in regulating wage increase possibilities it is necessary to consider the profit and the results

Analyses of the Electrical Engineering Institute show that, for example, in 1979 because of PKP electrification about 5 million tons of high-calory lump coal was saved, and similar savings were achieved in 1980 and 1981. About 80 million dollars per ton would be paid for this coal on the export market, and this means that we receive therefrom a foreign-exchange benefit of 400 million dollars per year.

At the end of 1981 the PKP had 7,091 kilometers of electrified railway lines. There are still 10,000-12,000 kilometers to be electrified. The most recent decisions of the transportation minister talk about converting a minimum of 300 kilometers of railroad line per year to electricity in 1982-1984. This is an obvious acceleration of the rate at which railroad lines are being converted to electricity, because up until quite recently the plan had a target of 160 kilometers to be converted this year.

Of course specialists enthusiastic about electrification of the railroads were not satisfied even with this step. They say that even at an electrification rate of 800 kilometers per year, the process will last 20 years. Any delay in the electrification of rail transportation is an obvious coal loss. PKP electrification should be treated as a proven, substantial pro-export measure accomplished on the basis of deliveries of domestic electrical engineering industry and of the railroad rolling stock industry by the railroad electrification and power enterprises.

It is understandable that any significant increase in the rate at which the railroad lines are converted to electricity will require that the production capacity of electrical engineering industry be expanded, but there are aspects in that industry itself. The oldest electrified lines have been in existence for more than 30 years and require renovation and replenishment of rolling stock. For example, modernization is needed on lines which were the first electrified and are also the most heavily travelled: Warsaw-Katowice, Przemysl-Krakow-Katowice, Wroclaw-Szczecin, Warsaw-Poznan, and so on.

It is a little trite to recall the old comparison of transportation to the circulatory system of the whole state organism, but owing to the new realities it is worth mentioning that transportation is directly part of three operational programs currently in effect, and that other operational programs, production, and trade, are dependent indirectly upon transportation.

The decisions on the rapid railroad electrification rate therefore come out of these relationships. It is to be expected that in the future we shall still return to these issues, because there is still a far broader problem, that of transportation versus electric power. It includes the issue of urban transportation (mentioned here briefly using the example of the metro), mining and industrial transportation, aviation, electric power on oceangoing vessels, automotive electrical engineering,

and the like. What are needed here are new scientific-technical solutions, which the research facilities need to investigate.

We will still hear about these issues for another reason. Specialists in all countries are already in agreement that in connection with the world energy crisis priority should decidedly be given to the development of mass transportation over that of private transportation.

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that is, they are working with high efficiency, there are possibilities for worthy wage increases given present endowments. The internal incentive system is adjusted more or less to the characteristics, and therefore it shows a varied picture. But by and large the enterprises can be classified in two groups: one in which the wage development is centrally determined among the units to essentially the same degree, and the other in which the wages for the internal units are made a function of the achievements.

POLAND

STRUCTURE, EFFECTIVENESS OF PRIVATE FARMS ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 28 Feb 82 pp 1, 10

[Article by Marcin Makowiecki: "Farms, Large and Small"]

[Text] It would be hard to find two farms that are similar in one village. They differ by size, natural conditions, number of people, which of them are employed, equipment, and what they produce. These differences are very apparent up close, but the farther from the village, the more the picture becomes blurred. On a national scale we most frequently use the most general category--non-socialized agriculture--and the statistical averages that apply to it. Yet the awareness of the differences in agriculture, and not just private agriculture, is extremely important for very many elements of agricultural policy, and for economic decisions also.

Following are two examples from everyday life.

There was the famous case, not too long ago, about the distribution of threshing machines. They were produced in Lublin and distributed through the entire country according to a distribution list, prepared behind a desk. In the western and northern region, where the farms are larger and combine-harvesters are more popular, the demand for threshing machines decreased. Meanwhile, in the east the demand continued to be high. But the "distribution list" did not take this into account. The peasants from near Lublin, therefore, drove for the threshers (produced in Lublin) all the way up to Koszalin or Slupsk.

The story of the raw-materials backup facilities for new sugar factories in Lapy and Ropczyce is also well-known. The sugar factories were built and there were no beets. To grow beets one must have experience, skill, good equipment and a favorable farm structure. And yet according to IER [Institute of Economics for Agriculture] studies, agriculture in the eastern voivodships is typified by lower than average domestic capital goods (by 20 percent), and lower consumption of industrial means of production. A low standard of technical infrastructure also is a brake on development. The farmers there, as a group, contain the highest percentage of persons without vocational preparation, persons who are unwilling to make decisions on innovations in production.

It is no wonder then that sugar from Lapy and Ropczyce was the most expensive in the country. The cost of transporting raw materials from areas where there was a surplus and where a sugar factory had not been built had to be added to production costs. This may have been avoided if at the time the site was being selected economic premises had prevailed and consideration had been given to the regional differences in farming. And such a situation can be corrected only at the expense of extremely high costs.

These two examples clearly show how important a knowledge of the structural, production and all the other differences between farms and regions is to economic practice.

Poor Structure

The basic differentiation, most frequently noted and described, is the division of farms according to area groups. At one time, the amount of land attested to a farmer's affluence. According to this criterion, divisions were made--in social and political categories--into small, medium and large farm owners. Today many other factors besides the size of the farm determine affluence, but land is the basic means of production in agriculture. It constitutes a potential that can be utilized for better or for worse. The main problems of farm policy revolve around land management.

The agrarian structure of private farming is greatly varied and is subject to constant gradual changes. The data contained in Table 1 reflect this structure. It should immediately be added here, that our statistics are based on two sources of data on the number of farms: general censuses and the annual farm censuses. There are large differences between them. According to the NSP [National General Census] in 1978 there were 2,557 thousand farms with an area of over 0.5 hectares, and according to the June census, there were 3,065 thousand. The difference--half a million farms! According to some agricultural economists, the NSP figures (which we are using in this article) are closer to the truth. Farms were recorded on the basis of actual use of land, omitting those buildings that had already been eliminated but still remained on the books, those farms that had been divided, abandoned, etc.

During the 1970's, in the period between the two general censuses, 1970 and 1978, the total number of farms dropped by 477,000, i.e., 16 percent. A characteristic feature was the more rapid rate of these changes in the medium farm group (5-7 hectares and 7-10 hectares), of which there was 19 and 20 percent less in 1978. But on the whole the changes in the area structure were small, and their tendency turned out to be unfavorable--the share of the largest farms increased only slightly, and the percentage of medium farms dropped.

The forecasts prepared at the Institute of Economics for Agriculture show, however, that there should be an important change in the area structure of private farming by 1985. The total number of farms of over 2 hectares will drop, it is envisaged, 20 percent, and the average farm area will grow to 8.3 hectares. Plots (up to 2 hectares) will constitute a separate group, and their number will increase as a result of transformation of some farms owned by peasant-workers and pensioners and annuitants, and also by reason of land assumptions by families settling in the villages.

Three important conclusions emerge from these forecasts (and the data contained in Table 1):

--the large differences in farms will remain, and not just from the standpoint of area,

Table 1. Anticipated Changes in the Agrarian Structure of Private Farming

Item	Plots 0.1-2 Hectares	Total Farms	Area Groups in Hectares			
			2-5	5-7	7-10	10 and more
1978						
Number of farms and plots, in thousands	1,630	1,907	809	358	356	384
Cropland area, in thousand hectares	1,000	13,445	2,669	2,076	2,919	5,781
Percentage of land in area groups	--	100%	19.9	15.3	21.7	43.0
1985						
Number of farms and plots, in thousands,	1,800	1,526	550	226	310	400
Cropland area, in thousand hectares	900	12,700	1,650	1,560	2,790	6,700
Percentage of land in area groups	--	100%	13.0	12.3	22.0	52.7

Source: A. Szemberg: "Directions of Structural Changes in Agriculture", ZAGADNIE-NIA EKONOMIKI ROLNEJ, No 1/1981.

--a considerable land area will continue to be used by small-farm and plot owners,

--the socio-occupational category of peasant-workers will remain (40 percent of the potential successors of farm owners have jobs outside of farming).

Some indicators for economic practice also emerge from this. It appears that it is most effective to enlarge the small and medium farms. A 25-50 percent increase in area gives at least a proportional increase in marketable production. Furthermore, this can be attained with 40 percent lower investment outlays than for the largest farms. The production program for small farms is another matter. This is not a new problem.

Without Warning

Reliable information on production figures for farms belonging to the remaining area groups is furnished in data on farm accounting maintained by IER. It should be added that the farms on which accounts are kept produce better than average results (possibly because their owners know the economic rules of farm management). But they, too, are internally differentiated (e.g., final gross production per 1 hectare in the largest-farm group varies from 11,000-61,000 zlotys). Nevertheless, accounting figures give an accurate picture of economic tendencies. Therefore, I encourage all those interested to become thoroughly familiar with the data contained in Table 2. I leave the conclusions to the readers, and confine myself to several comments.

Table 2. Economic Results for Farms on Which IER Accounting is Maintained, in Terms of 1 Hectare in 1978-1980 in Thousand Zlotys (Current Prices)

Item	Total	Size of Farms in Hectares				
		Below 3	3-7	7-10	10-15	15 and above
Gross final production ...	33.2	42.3	35.3	32.3	31.4	26.6
Marketable production	28.9	31.6	30.0	28.4	29.0	25.2
Farm income	20.2	26.2	22.3	19.9	18.4	14.9
Total material outlays ...	23.1	28.5	24.4	22.5	22.3	19.1
including:						
from own farming	12.5	15.0	13.8	12.3	11.7	9.6
Value of fixed assets	110.7	195.3	122.1	100.4	87.7	75.3
including: machines ...	17.7	18.0	15.3	18.8	19.0	18.8
Net grain sales from						
1 hectare in kilograms..	46.0	-205	-20	+92	+97	+214
Share of hog sales in						
outflow in percentage ..	84.4	78.1	83.5	84.7	87.2	87.4

--If we assume as a criterion of management effectiveness the economic results obtained per 1 hectare, then it appears that more favorable results are achieved by farmers of smaller areas (this does not mean, however, that they always provide the farmer's family with the basic material means for existence, precisely because of their small area, hence the wide-spread phenomena of two-job holders in farming). The picture would look different, however, if we were to take as a criterion the profitability of labor of those employed in agriculture. Then it would turn out that the larger farms would be more effective. But at present the basic problem in agriculture is how to use the land and the human labor most productively. From this standpoint, the problem of extreme economic and social importance is that of creating for all small farms the opportunities and conditions for production (realizing that they, too, are differentiated and not all of them can achieve the same level as farms that maintain accounting).

--The present price system, which gives preferential prices for grain, favors the larger farms. Table 2 clearly shows an unfavorable grain balance in the smallest farm group and their dependence on fodder purchases. Assuming that the price ratios now in effect will remain, we should also consider the possibilities of supporting or stimulating production on the small farms by steering them in the right direction. This is particularly important since we still do not have an efficiently functioning system of income redistribution (through taxes, credits, contracts, etc.).

--Small farms have a higher degree of self-supply (the example of hogs, in the table). Maintaining and developing this tendency (profitable, under the present system of retail food prices) would fulfill a positive role from the standpoint of the situation on the food market. We can expect that the role of small farms in feeding the family will increase.

A serious accusation was made against the small farms formerly: they do not produce enough marketable goods. In terms of one farm that was true. But the data given in Table 2 furnish additional information--in terms of 1 hectare (i.e., in terms of land productivity)--this yield of marketable goods is not at all low. Second, these farms always played an important role in supplying themselves with food, especially the two-job-holder people. And so we must reexamine the old popular opinions.

--Small farms have the highest degree of self-supply in means assigned for material outlays. This is a positive sign but at the same time we should not forget that modern means of production are not available to them (for financial reasons).

The structure of production of farm machines and equipment does not take into account the completely specific needs of the small farms. What is produced, by the very nature of things, goes to the larger farms. Nor have services geared to the needs of the small farms been developed. Practically, no forms of group, neighborly use of machines have been developed. This is a serious neglect on the part of our industry and institutions for servicing agriculture. This situation is reflected in the data contained in Table 3, showing the amount of equipment per different groups of farms.

Table 3. Important Machines on Private Farms in 1979

Item	Number of Farms Per One Machine				
	Total	0.5-2	2-5	5-10	10 and more
Tractors (phys. unit)	8	58	21	7	2
Sowing machines and fertilizer spreaders					
--tractor-drawn	57	2,011	390	72	11
--horse-drawn	37	576	99	27	10
Grain sowing machines					
--tractor-drawn	54	1,053	260	61	11
--horse-drawn	4	57	7	2	2
Combine-harvesters	306	11,566	31,971	535	53
Sheaf-binders					
--tractor-drawn	33	1,724	275	38	6
--horse-drawn	70	1,601	360	51	18
Reapers	31	732	108	20	9
Mowers					
--tractor-drawn	29	391	91	30	7
--horse-drawn	4	44	6	2	2
Threshing machines	13	154	296	9	4
Potato digging machines					
--tractor-drawn	33	590	145	36	7
--horse-drawn	4	41	6	2	2
Electric steamers	8	93	16	5	3
Container-type milking machines	30	1,261	236	31	6

Source: "Non-socialized Agriculture in the Food Economy," Main Statistical Office, 1981, p 43.

--Finally, a methodical comment. The IER accounting studies are of a representative nature, thus the conclusions drawn from them may apply to agriculture as a whole. They show the general differentiation of farms, the growth rate of economic phenomena, and also the internal differences in groups of farms (e.g., they show that 10 percent of the farms achieved the lowest final production, 17,000 zlotys per hectare, and 10 percent achieved the highest, 57,700 zlotys per hectare.

This is a very important observation for it suggests that it is necessary to apply elements of some differentiation of general principles of agricultural policy in relation to farms of different areas and profitability. This would have both an economic and political importance and would also have a bearing on a more specific determination of the structure of the means of production for farming. In the 1970's, due to the one-sided preferences granted to large-commodity farms, the conditions for the political and economic functioning of small farms deteriorated, the gap between receipts grew, and as a result, the sociopolitical conflicts within agriculture also increased.

Small, But Important

Proposals concerning small farms in no way violate the basic principles of the policy of concentrating land and production, the development of highly productive modern farms, which on a mass scale determine progress in agriculture. But the problem of small farms exists and it cannot be circumvented. Actually, not much can be added to the suggestions made several years earlier (there were even some official government decisions). Only we now have a new economic situation and thus it is necessary to define a structure of production which would be appropriate to the economics of the small farms under these new conditions. Obviously this cannot be a single model for duplication.

Until recently it was believed that small farms are predisposed primarily to the development of intensive (labor-intensive) livestock production. Now, with the new prices for grain and fodder, this opinion must be reexamined. But can this production be ruled out? This requires a more detailed study and there will be no answer to this in this article.

However, I would like to formulate a certain general principle. A structure of production should be proposed which will facilitate selection of the variant most applicable to the capabilities of different farms. On the small farms (most often two-job holder-type) courses of action that may be appealing may be those that will guarantee that two conditions will be fulfilled: attainment of a high income for a unit of work (in view of the competitiveness of paid work outside of agriculture) and assurance that the family will be supplied with food.

At one time, several years ago, instructions were written on how to start a small farm. The problem remains current, but the functions of these farms under the new economic conditions have definitely undergone a change. Whether the proposals made then on vegetable-horticultural production, the growing of herbs and seeds, the production of hogs, eggs, rabbits, etc., are still current, it is hard to say. This should be again assessed. In any case, the farmers who are interested in this are doing so. But we cannot leave everything to them alone.

The courses of production that are determined should be supported by the state and the institutions that service agriculture, taking action in two basic fields: developing a system of entering into contracts for agricultural products that is of a productive nature and initiating the production of indispensable machines, tools and equipment and the remaining means of production, particularly those whose supplies have been so drastically reduced in rent years.

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PROBLEMS IN CHEMICAL, LIGHT INDUSTRY DEVELOPMENT DISCUSSED

Raw Material Shortage

Warsaw TRYBUNA LUDU in Polish 2 Mar 82 p 5

[Interview with Prof (doctor, engineer) Edward Grzywa, minister of the Chemical and Light Industry, by Andrzej Leszczynski: "Will There Be Anything To Put Into the Chemical Retort?"]

[Text] According to common notions, the chemical industry is a large kettle into which various ingredients are thrust in order to subsequently extract from it, hundreds and thousands of products, semi-finished products and preparations; those which serve people in everyday life: aspirin or shampoo, just to give an example, or articles which are indispensable for production processes such as the proverbial seal, bakelite cable shielding, glue or chemical fertilizers.

The only problem is that, currently, this variety of chemical components is becoming more and more difficult to obtain in Poland. Debts and restrictions undertaken towards us limit purchases on world markets. How will the chemical industry develop under such difficult conditions? We are discussing this subject with the Minister of the Chemical and Light Industry, Prof [doctor, engineer] Edward Grzywa.

The Effects of Dependence

[Question] How do you intend to manage under such extremely complex conditions, all the more difficult that, as the saying goes in Poland--Mendeleev's [Mendelejewa] table has not been buried?

[Answer] If it were only a question of Mendeleev's table which barely contains some one hundred odd elements! However, there are some four million known chemical compounds in the world today! A considerable portion of them have a vital and, at times, fundamental meaning for the economy. Who does not have them and does not know how to produce them or does not have the technical capacity for it, must buy them on world markets...

[Question] And what about us, Poles?

[Answer] We could be in a condition to produce many things, although, not everything. Meanwhile, in years past, the chemical industry was not developed properly, in proportion to the needs. As a result, we were becoming increasingly more dependent on foreign countries for our raw materials. There would be nothing wrong with this, however...

In spending money for the purchase of particular raw materials or products, it is necessary to concern oneself with making the money to pay for them by selling others. Otherwise, one falls prey to a one-sided dependence. Unfortunately, because of the lack of an adequately trained production apparatus, we have not been able to avoid this peril whose effects we are feeling very painfully.

With drastically limited funds--out of necessity--for foreign purchases and the resulting from this, shortages of raw materials, the chemical industry's production in January of this year was 16 percent lower than in January of 1981. Production is decreasing and this is not only our, ministerial problem.

Substitutes but of Standard Value

Thus, when the chemical industry limits its production, this is carried over with avalanche force to the entire economy. Automotive plants begin to feel the shortage of seals, lacquer and materials. Shortages of glue and of paint cladding slow down the work rhythm of furniture factories. A shortage of oil lubricants and gasoline--paralyzes transport, etc.

[Question] How do you, then, intend to combat falling trends in these difficult, crisis conditions?

[Answer] There is a program in the works. Its general assumptions have been approved by the Economic Committee of the Council of Ministers. In March of this year, we are to submit its complete, documented version.

[Question] Let us, then, talk about, at least, the general directions...

[Answer] You compared the chemical industry to a pot into which various ingredients are thrown. It is enough to run short of one [ingredient], and this being in small amounts, to shatter the hope of producing a particular substance or product. For example, without a, so-called, rubber accelerant there will not be any seals, rubber footwear or tires. Usually, it is matter of merely a dozen or so and, at the most, several hundred tons of this particular preparation.

We have begun searching for possibilities of taking on the production of substitute agents without excessive costs and with minimal investment outlays, in place of those which, up to now, were imported from abroad--substitutes but of standard value. This requires the switching over of scientific-research facilities to work of greater practical service in the immediate future. Initiatives on the part of plants are also essential. By making use of our

domestic potential of knowledge and, as I have already said, with small investment outlays, we have a chance of considerably decreasing our dependence on the import of supplies.

[Question] And what would this mean for us, shoppers, in our search for soap, shampoo and detergents in the stores?

[Answer] It would give, for example, hope for a market better supplied with shampoos. Admittedly, we cannot conjure up coconut oil domestically, which is essential for their [shampoo] production, however, we probably will be capable of producing other substitute components. This is to be ensured by the cooperation of the Institute of Industrial Chemistry with the firm "Azoty" in Kedzierzyn.

Work is also being done in Kedzierzyn on hydrogenating rape seed oil so that it may be used instead of the imported tallow in the production of soap. In Paczkow, on the basis of new formulas, we have begun the experimental production of liquid detergents in place of powders. This is not only a question of selecting different ingredients but also that of saving energy. There are already, many such initiatives...

In Order to Buy, We Must Sell

[Question] Let us assume that it will be possible to, in this way, activate the production of several hundred or even more components. However, as you have said yourself--we will not achieve raw material self-sufficiency...

[Answer] Indeed. It is difficult to think realistically, at the present time, about substitutes for crude oil or gas, for example, or phosphorite. Without, gas for example, we cannot manufacture chemical fertilizers. That is why, the second course of our activity is export. In order to have possibilities of purchasing essential but unavailable to us, raw materials, we must sell what we have, what we know how and are able to produce.

[Question] But do we know how and are we capable?

[Answer] We are capable of a lot even though export possibilities are limited by inadequately developed production strengths of the chemical industry. We are not developing them now under crisis conditions.

[Question] We do not have the funds for it and we must export. How, then, will this be done?

[Answer] Export will have to be expanded, unfortunately at the expense of deliveries made to the country. However, under no circumstances, can this affect medicine and remedies for the maintenance of cleanliness and hygiene. What I do have in mind, however, are certain kinds of dyes, substances and processed petroleum products. This will be necessary.

Without exports and deprived of the means for purchases from abroad, we will systematically lower production and the entire economy will wither along with

us. This dwindling curve has to be turned around. I am not talking about growth, for the time being. At the end of the current year, we would only like to achieve a return to the level of production at the end of 1981.

[Question] Only so much and yet so very much...

[Answer] Indeed. It is easy to fall but it is extremely difficult to make up for losses. We are, at the same time, counting on a helping hand from socialist countries, in terms of emergency relief and a mutually profitable exchange of raw material surpluses but, above all, we are counting on integration for the continued tightening of cooperation between CEMA countries in obtaining and utilizing raw materials. I will add that Poland has unlimited production potential to offer which has been left unused due to a lack of raw materials. I will not expand upon this broad subject but I would like to stress that we consider cooperation with socialist countries as an extremely important element of our program.

Raw Material Priorities

[Question] What other activity have you envisaged besides this?

[Answer] The fourth direction of research is based on the optimal application of raw materials. If, for example, we do not feel a shortage of polyethylene, then the thing is to use its meager supplies for the production of goods which the public needs the most, as for example, for foil in agriculture.

Proper selection will have to be made giving preferential treatment to the health services, agriculture and cleaning remedies.

The same will hold true for the light industry. Diminished supplies of cotton or man-made fibers will have to be intended for the production of goods which are the most sought after on the market, as for example, clothing for children and youth. Instead of buying ready man-made fibers, it would be more advisable to import raw materials for their manufacture in order to produce specific kinds which are the most suitable for us.

The conditions in which we have found ourselves force us to reevaluate antiquated canons and rules. Greater flexibility, creative ingenuity and inventiveness are necessary. They are essential for getting off the slumping trajectory of the crisis and regaining our balance.

Production Shortcomings

Warsaw ZYCIE WARSZAWY in Polish 3 Mar 82 pp 1, 2

[Interview with Prof (doctor, engineer) Edward Grzywa, minister of the Chemical and Light Industry, by Henryk Chadzynski: "To Free Ourselves From Helplessness and Hopelessness".]

[Text] [Question] As opposed to your predecessors, you cannot complain about a lack of interest in the chemical industry on the part of the government's leading authorities. Just before you took over the office of Minister,

aid for the chemical industry was the topic of deliberations of the Economic Committee of the Council of Ministers. Your predecessors complained that as opposed to the machine industry, with which everyone is familiar, the chemical industry is a closed-in field. Indeed, ministers changed but the attitude towards the chemical industry remained the same and today, the entire economy feels the effects of this. What sort of program do you, then, have for rescuing the chemical industry and, thereby, the economy?

[Answer] In my opinion, the emergence of the entire economy from out of the crisis should start with the chemical industry because as it appears from press information, the lack of chemicals makes the production of the entire range of semi-finished and industrial products--impossible. If an agricultural piece of machinery is produced, it cannot be sold without lacquer [unpainted] and the same applies to furniture. When there is a shortage of pesticides--a significant portion of the farmer's work goes to waste. Without chemicals, work in other fields is ineffective or even simply impossible. Today, the authorities are aware of this but the total lack of funds makes it nearly impossible to supply the chemical industry with raw materials, particularly, those which must be imported. In turn, the chemical industry simply stops the economy. I speak of this so that someone will not accuse me of local, ministerial patronage [patriotyzm]. Today, a spokesman for the chemical industry is a spokesman for the entire economy. Therefore, I am suggesting as a remedy, something that is very unpopular with the public, especially, with regard to the chemical industry and the light industry, namely, export. Indeed, as is proclaimed by ZYCIE WARSZAWY in the title of its series of articles, we must export in order to live; export in order to ensure funds for the chemical industry and chemical products for the entire economy.

[Question] But, after all, there exists an operational export program?

[Answer] We are trying to carry out in full, tasks for the chemical and light industry which result from this operational program. However, it seems to us that for our economy to function normally, we must export more than is envisaged by this program. We would, however, like to appropriate the income from this extra export for our own import of raw materials and semi-finished products--not for the ministry of which I am in charge but with the needs of others in mind; with the mining industry, the machine industry and basic market goods in mind. After all, we are aware of the fact that if we do not deliver our chemical stock, which sometimes constitutes a several percent share, then as a result, we will not produce many of the most urgently needed products in areas of importance.

[Question] However, at whose expense do you want to achieve this export? After all, in order to send something abroad, you will have to take away from someone, something from this already very meager supply.

[Answer] I do realize that the entire operation would be carried out at the expense of supplies for our country's consumers but only for a certain period of time. At the same time, however, it should be realized that if we do not do this in a way which has been planned, then, shortly we will not have these products anyway because the coil of import restrictions is becoming increasingly

tighter. Therefore, it is necessary to undertake a decision so that the extra export effort of the chemical and of the light industry will create import possibilities for our factories. Someone may say that this tends towards anarchy. However, quite the opposite is true. We must decide what the country cannot do without. Having certain minimal funds for import at our disposal, we could minimize many losses for the economy.

[Question] Is it possible for the ministry, of which you are in charge, to take advantage, to a greater extent, of the cooperation with socialist countries?

[Answer] I feel that we are not availing ourselves of the possibilities which are offered by closer cooperation with industries of CEMA countries. Recently, we have done much so that raw material supplies from these preparing for import. Perhaps this reversal is not progress but it does make it possible to survive and continue production in many areas. This is often an initiative of industrial plants which wish to show that it is possible to extricate oneself from helplessness and hopelessness.

[Question] Could you cite some examples?

[Answer] We all know how bad things are with the supply of detergents. We cannot increase their production because we lack imported raw materials. Initiative is, therefore, valuable for the designing of four installations which would produce not washing powders but liquids. These liquids have the same washing capacity but require less imported agents. They are less expensive investment-wise and not so much energy has to be wasted for the evaporation of water. A leader in this field is the industrial combine in Kedzierzyn which has taken on the production of one of the important components for three other plants.

Another example are pesticides whose shortage is generally felt. We have two major manufacturers: the "Azoty" production plants in Jaworzno and the Chemical Plants in Sarzyna. Modernization work has been undertaken in these plants which together with some small investments, will enable the production of detergents which have been available until now. There is a lack of them at present because there are no others. For example, 350 tons of a fungicidal preparation, so-called, cuprite [miedzian]--have been produced in Jaworzno. It was anticipated in advance that perhaps even 1,000 tons of this preparation would go. In Jaworzno and in Sarzyn, the decision was made to produce 1,500 tons and at the present time, it is estimated that this entire amount will be bought up since there are no other preparations. We would, therefore, like for there to be, at least, adequate supplies of cuprite from Polish copper and that it be available in every store which supplies farmers and gardeners. A fungicidal preparation may appear to be a trivial matter. However, not everyone realizes that because of fungi caused plant diseases, nearly 25 to 30 percent of crop yields are lost.

[Question] When will these efforts be felt?

[Answer] I believe that already in 1982--to a significant degree and in full force by next year. For example, a different pesticide has already been put

in motion, a so-called, line sulphur. This is not some sort of scientific achievement; this product has been known for decades. However, due to the lack of other preparations, farmers will gladly accept this agent. I believe that the plants in Sarzyn, which estimate the production time in weeks, will manage to have their deliveries ready before this year's sowing activity.

[Question] Are there any plans to make more intensive use of your own scientific research?

[Answer] This is a very important item in our program. I believe that in a time of crisis, a closer association between research facility and production is a necessity. We must not say that we lack the funds for research but instead we should correct the program so that this research will be useful and will give rapid results. We must also not forget about the future because, after all, we will have to live off that which we create. It is difficult to talk about everything here; I can only state that the possibilities of using modernizing processes in factories as well as in scientific institutions are enormous. We must activate--and this is already being done--small-tonnage production. It is expensive [as published] and replaces imports.

[Question] When will the industry, which you are beginning to manage, be able to raise itself from the bottom?

[Answer] If our plans are successful and this also depends on the decision whether we will obtain the right to funds from our additional export, then, visible effects will already be possible during the course of the current year. Above all, there exists the possibility of maintaining production at last year's level. Perhaps this may seem as not a very ambitious task. However, in January and February of this year, production fell by 16 percent as compared to the same period last year. In my opinion, things may become even more difficult. That is why, escape from this tightening noose of reductions is an extremely ambitious as well as difficult task since it signifies the halting of a falling trend and, after all, on this depends the possibility of starting the climb upwards again.

9853

CSO: 2600/390

DEPUTY MINISTER OF AGRICULTURE ADDRESSES OLSZTYN VOIVODSHIP GROUP

Olsztyn GAZETA OLSZTYNSKA in Polish 2 Feb 82 pp 1, 4

[Article by Prof Jan Zaleski on agricultural problems: "We need 18,000 tons of grain per day but we can procure only 6,000 tons."]

[Text] On 28 January 1982 Prof Jan Zaleski, deputy minister of agriculture, participated in the meeting with activists of the peasant movement in Olsztyn Voivodship. The participants included: leading private farmers, managers of socialized agricultural units, gmina [parish] directors, economists and scientists from the Agricultural-Technical Academy. The topic of the meeting was "Economic Reform in Agriculture." The chairman of the WF ZSL [Voivodship Committee of the United Peasant Party] Wincenty Stelmachowicz, who was conducting the meeting, claimed that the main current goal for ZSL (United Peasant Party), including the Olsztyn ZSL organization, is: restoration of social stabilization and maximum fulfillment of food requirements for the population. "As a peasant party of People's Poland, our duty"--said the chairman of WF ZSL--"is to represent and defend the interests of peasants and to coordinate them with the interest of the entire nation." This goal is to be accomplished through new legislative and economic initiatives in the peasant movement that will strengthen private agriculture, develop the agricultural means of production industry and create a normal rate of monetary and goods exchange.

At the beginning of his extensive statement, Prof Jan Zaleski described the current food situation in the country as very complicated. As a result of the Western countries' embargo, as well as suspension of monetary credits, Poland has to face an increasing deficit of grain. The daily need of grain designated for direct consumption by the people (bread and grain products) is 18,000 tons. On the other hand, the daily procurement of grain, which is delivered immediately for consumption, is only about 6,000 tons. The deficit is supplemented through emergency imports from the Soviet Union, which due to bad harvest conditions last year, is importing large quantities of grain also. Relatively small quantities of grain are imported from Czechoslovakia and the GDR. These countries, which are easier to help us, have introduced drastic savings in grain management for themselves. We are negotiating certain quantities of grain imports from Romania. It is possible to import 200,000 tons of grain from Canada; however, this will become real after the ice melts on the St Lawrence River.

All attempts of this kind, however, will not satisfy our need for grain. Therefore, the Ministry of Agriculture is undertaking actions to decrease the use of grain for fodder purposes. We are decreasing production of feeder cattle and are stopping almost completely the production of broiler chickens. As a result of these measures, the consumption of meat will have to be considerably reduced. It is envisaged that, in the current year, it will be an average of 57 kg of meat per capita.

The most important matter for fulfilling the current food requirements in Poland is to be the national grain loan. As a result of its implementation, we expect to collect a million tons of grain. In exchange for the grain loans, the farmers receive bonds which they will be able to cash in subsequent years (according to current prices). The bonds will bear 7 percent interest annually. Professor Zaleski devoted a major part of his statement to economic reform in agriculture. This reform will be based, as it is for the entire national economy, on principles of independence, self-government and self-financing. These principles were always valid in the private sector of the economy. Introducing them in the socialized economy will assure standardization of economic principles throughout agriculture. The main foundation for agricultural production growth is its profitability. Adjustment of so-called producer prices for basic raw materials to the level of world prices and application of the principle of profitability for production in industry has caused a price increase for agricultural means of production. This increase, however, together with raising of the farmer's cost of living, will be compensated by an increase in procurement prices.

Increasing the value of the basic means of production, i.e., the land, must be an integral element of economic reform in agriculture. The price of land will be variable and closely dependent on the average price of grain. It is envisaged, for example, that a hectare of first-class land in the rural zone will be equivalent to the value of 110 quintals of rye, and one hectare of fifth-class land will be equivalent to the value of 26 quintals of rye.

The mobilizing factor for utilization of the land is to be a higher land tax. A system of general contracts is to provide a closer link between agriculture and the manufacturing industry and the capability for fair distribution of the means of production in the current, difficult economic situation. Contract prices for agricultural products will be 10 percent higher. Allotments of the means of production will be based on the quantities of sold products within the contract framework. For example: artificial fertilizers are envisaged to be allotted in the following quantities: 0.6 kg NPK (nitrogen, potassium, phosphorus) for 100 kg of grain; and 30 kg NPK for 100 kg of hogs for slaughter. Other examples of allotments include: 200 kg of coal for one porker; and 200 kg of coal for 1,000 liters of milk. An increase in the allotment of coal for residential purposes to the rural population is envisaged. In the future, as the industry of agricultural means of production develops, this system will include also tractors and machines. Professor Zaleski talked about an extensive government program to intensify Polish agriculture. In the next few years, in spite of investment constraints throughout the economy, financial means will be allocated for the agricultural-machinery, fertilizer and chemical-agent industries, land reclamation etc. Talks are being held with foreign companies

to let them utilize temporarily the big stock-raising farms, which are not being utilized due to lack of fodder. Putting these farms into operation surely would not increase our food supplies, but it would keep the farms in operation, provide jobs and create a certain source of foreign-exchange income. After Professor Zaleski ended his statement, a lively discussion developed. There were many questions and proposals in regard to matters, such as: sowing-seeds, which apparently may be obtained only within the framework of exchange in proportion of 100 kg for 120 kg of grain; construction of apartments for retired farmers that would allow occupation of their buildings by the new owners; decrease in the land-tax for those who exceed a certain level of production; integration of land that apparently will be free of charge, no matter on whose recommendation it will be implemented; determination of the bond value for a national grain loan in regard to the means of agricultural production, such as tractors or other machines; and elimination of waste in industry producing the means of production for agriculture. For example: why should we produce only small milk containers, if by producing large ones we can save raw material and energy.

Professor Zaleski, in answering questions, said that "the Ministry of Agriculture will consider all proposals. In this way, decisions will be more correct and precise."

At the end of the meeting, the chairman of the WK ZSL, Wincenty Stelmaczonek, appealed to all participants to discuss widely this matter in the rural circles of ZSL. "I wish," he said, "that our work in explaining the problems of economic reform in agriculture was reflected in an increase of grain procurement and in the growth of farm production in all specialties. Our state should become self-sufficient in food production."

9905

CSO: 2600/359

POLAND

TYPICAL DAY OF RADOM GOVERNOR GEN URBANSKI DESCRIBED

Warsaw ZOLNIERZ WOLNOSCI in Polish 6-7 Mar 82 p 4

[Article by Capt Bronisław Hynowski: "A Governor In Uniform--Such Is One Day"]

Early in the morning they are hurrying to work. The streets of Radom are waking up. The crowds arriving from the train and bus depots make their way to city transportation stations. Some of them go on foot to [their industrial plants, bureaus and offices. The street scene intensifies after 7. Now school children and teenagers with backpacks hasten to their daily obligations. At this same time every day, before the Voivodship Office, it is possible to run into the governor--in the green soldier's uniform of an officer. What is his day like?

0730 Hours. The governor of Radom, Col (Eng) Alojzy Wojciechowski, arrives at the office. Greeting the workers on duty, he asks about the most important events that occurred during the night hours of the administered region. This time, the reply need not be anxious and sounds like a military report.

"There were no important incidents."

Taking his coat off in his office, the colonel looks at the desk. Several folders are already waiting there. It is his correspondence--official papers and letters from citizens. Those things that require him to familiarize himself with them or require a particular decision. There are also regional reports, selected news items as well as orders for him to sign.

Something More Important

"I don't like to be behind in anything," says the officer, "but I didn't manage to settle down to this yesterday. There was, simply, something more important: a joint session of the executive KW [Voivodship Committee] of the ZSL, [called to discuss] the subject of the disposition of the agricultural management in the voivodship for the spring season. We examined the possibilities of fulfilling the tasks issued by the governing PZPR Central Committee Political Bureau and the Presidium of the ZSL Supreme Committee in

the matter of the comprehensive farm policy problems in agriculture and food management. Nowadays, these are unquestionably crucial matters in every voivodship and in every gmina [rural parish]...

The minutes pass swiftly. Sipping demi-tasse, the colonel turns the pages of one message after another. He notes something from some of them into his calendar. He puts each one in order by an appropriate decree.

0800 Hours. Work at the Voivodship Office begins precisely now. The shrill ring of one of the many telephones breaks the silence in the governor's office. The secretary informs him that someone has arrived from the gmina of Jedlina-Letnisko, with business to settle, and urgently wishes to meet with the governor on a personal matter.

Today is not a day for appointments. Colonel Wojciechowski glances at his watch, at his appointment calendar and at the pile of documents still waiting. He quickly estimates and responds orally:

"Even in an office one must first be a human being, and only afterwards an official. If a citizen has already taken the trouble in a certain matter [to go] expressly to a voivodship office, then what else can one do if not receive him, hear him out and, as much as is possible, take care of it."

The client begins with the words: "Mr Governor. I've already been everywhere, I have various decisions, but they haven't been taken into consideration..."

The colonel listens calmly. By means of an inter-office communication system, he calls one of the vice governors. He relegates the settlement of the citizen's grievance to him, and takes the opportunity to point out the pressing need for restoration of law and order in all dependent administrative organs as well as the complete enforcement of the rulings of primary organs.

For a few minutes he returns again to the reading matter and to the analysis of the documents lying on the desk. It is getting on toward 9 o'clock--[the hour for] which a meeting of the Voivodship Defense Committee has been set.

WKO [Voivodship Defense Committee]

At 0857 hours the governor walks over to the briefing room. He shakes hands with newcomers to the WKO meeting, among whom are, the minister of the National Defense Committee, the chief of the WSzW [Army Security Service], and the commandant of the voivodship MO [Citizens' Militia]. The meeting begins punctually at 9 o'clock. In the first part of the deliberations, the president of the voivodship tribunal and the voivodship procurator assemble before the WKO members information on the subject of the state of public order and security, as well as the activities of organs represented by them during the period of martial law.

It appears from this that, at the present moment, there are no matters concerning offenses against martial law decrees. However, crimes committed

against property by juveniles, and not infrequently by schoolboys from schools above the elementary level, are frequent.

In the course of the discussion, questions regarding the means of combatting the effects of crimes as well as forms of preventative actions undertaken are presented. The KOK Plenipotentiary Gen Bde Mieczyslaw Urbanski stresses that the information obtained directly from the people through the offices of the military commissioners assures the possibility of the fullest appreciation of an actual state of public order and security in places of employment as well as in voivodship gminas. Yet only joint actions by the public prosecutor's office, the judiciary, the militia and active members of society can bring about the anticipated results.

The Voivodship MO Commandant Col Dr Kazimierz Otlowski differs with the opinion of the procurator, that the best preventative action is the efficient prosecution of perpetrators of crimes, though he also sees the need for development of more intensive preventative measures in the area of schools, boarding-schools and industrial plants.

The WKO chairman, summing up this part of the deliberations, emphasizes that the committee, raising the foregoing problem in its session, does not intend to interfere with the independence of organs of justice. However, he remained obligated, because of the collective opinion, to call attention to overly long and ineffectual procedural actions relating to some perpetrators of crimes which are inappropriate especially during martial law and those laws relating to it.

Review

The break lasts only 5 minutes. At 10:30 the second part of the deliberations begins. The governor informs the committee members of the rules passed in the voivodship on the strength of the military experience and the review of the cadre. In the first stage he includes the heads of gminas and managerial cadre of the Voivodship Office in virtue of the results of the work obtained in 1981. The implementation of the socio-economic tasks as well as organization and discipline in labor is especially taken into consideration.

The result was that in the first stage of the review the majority of the heads [of gminas] received positive evaluations. With several heads it was decided to conduct admonishing talks, calling attention to the irregularities occurring in those regions administered by them. It was not dispensed with and on this occasion, without any compulsion, they were recalled from the positions they occupied. The reasons were: offenses against and failures in the fulfilling of basic responsibilities toward the citizens.

In the course of the discussion about cadre problems in the voivodship, the WKO members devote much attention to the question of training as well as various forms of professional training for administrative workers, at least in the interpretation of the codes and new orders.

"The introduction of a complete inspection of gminas, likewise following the military example," says Governor Wojciechowski, "should bring a broader and fuller picture of the evaluated cadre in the administered region. We will conduct such inspections without any prior announcement, simultaneously in all institutions and units operating in gmina regions. Ten special subcommittees will analyze the [following] matters: agriculture and food management, architecture, trade, planning, education, culture and upbringing. Issues relating to the moral-political state, labor discipline, prevailing moods among both civil servants and the public, and the relationship between the authorities and the citizens will not be neglected.

"This means not only ascertaining causes and effects of irregularities eventually discovered in the activities of the units inspected, but at the same time recommending methods as well as measures to help eradicate them [the irregularities]. This cannot be allowed to spread excessively over a period of time. The team has a maximum of 3 days from the end of the inspection in which to produce the report and the analysis of the post-inspection results."

Information from the Voivodship MO Commandant on the state of discipline in the Radom region is traditionally the final point in the Voivodship Defense Committee session.

How Much Procured?

12 noon. Colonel Wojciechowski returns to his office. On his desk is the latest information on procurement results of the previous day: hogs, cattle, dairy and grain. The first three items are gratifying. The numbers indicate a considerable surpassing of scheduled quantities. On the other hand, continually too little grain is procured, although over 12 percent more was procured in the first 2 months in comparison with last year.

"In our region," says the governor, "there are many specialized farms. [We have] orchards, gardens, vegetable gardens, yet they will not sell us grain; but our produce is also essential to society..."

1300 Hours. Dinner in the canteen. Standard fare. Sour soup, fried fish, potatoes, sauerkraut salad and stewed prunes.

At 1330 hours, the colonel is once again at his desk, analyzing the contents of the remaining documents. Being impartial, one has the impression that an inexhaustible stream of correspondence flows through this office. Not knowing its contents, it is difficult to form any kind of comment.

At The Plant

1400 Hours. The governor visits the Tobacco Industry Works, producing over 30 percent of the national cigarette production for the market. He himself does not smoke cigarettes, so what could possibly interest him in the "tobacco works"? There is a brief conversation with the plant director, the

secretary of the KZ [Works' Committee] of the PZPR and the military commissioner. The questions concern communal problems and the transportation of workers, their apartments, means of subsistence, and social living conditions at the enterprise.

For over half an hour, the governor familiarizes himself with successive divisions of production. He speaks with people at various work stations. He asks about the conditions, wages, and about organizational and social matters. He takes an interest in the provisions at the buffet and the means of distributing these provisions to the divisions. There can be no buffet here and there are no queues here because then the daily production would not amount to nearly 115 million cigarettes and, after all, women constitute the majority of this personnel.

"Mr Governor," says one of the female workers who, upon seeing the colonel in his uniform, walked away from the conveyer belt for a moment, "I have a personal question. I am raising 2 children by myself, and I work on 3 shifts. Could I speak to you about this?"

"Please come to the office," is the reply given. "Only please tell me which day and hour is most convenient for you."

The time is settled. The woman, a little happier, returns to the conveyer belt. The governor familiarizes himself with the repair bench production which, within the scheme of anti-import activities, fulfills about 80 per cent of the spare parts brought in with foreign currency. However, there is a prevailing atmosphere of an intense crush in the workshop. Machines are too close to each other. There is already no room to place new ones. Locating in a new, larger workshop is needed. This would make our tobacco industry considerably more independent from foreign contracting parties. A view for oneself [of the plant] can best add to a sound familiarization with the sphere of the requirements of this plant.

1630 Hours. There are no more clients in the Voivodship Office lobbies. Silence prevails. Col Eng Alojzy Wojciechowski returns to the examination of matters put aside on the desk. They cannot be left for the next day.

The calm lasts a dozen or so minutes. The telephone breaks [the calm]. An anonymous caller has an important matter to relate only to the governor. However, he does not want to reveal his name. The colonel therefore proposes a visit to the office.

Supper Out Of A Can

By 1900 hours, he manages to look through the local press and jot down in his notebook the most important news about the voivodship. With his briefcase full of various documents, the governor hurries to the hotel to catch the main edition of the television daily news program. Supper out of a can, a chunk of bread, and personally brewed tea is the last meal of this day. Afterward, there is still the reading of those notebooks brought in his briefcase. Where did they come from? What is in them?

In the course of a short period of time fulfilling the duties of governor, the colonel ascertains that about 7 thousand clients passed through the office, of which nearly 80 percent should have been directly handled in the gminas. He resolves, therefore, to change this state of affairs as quickly as possible and to bring the office closer to the citizens. Now, the voivodship representative must be in every gmina one day out of every month. The appointed times are fixed in advance and are posted in offices in the gminas.

And the notebooks? Well, of course. In them, travelling representatives note down grievances, complaints and rebukes submitted by rural and urban residents. They are a reflection of the problems and moods of the gmina communities and a visiting-card, in a fundamental degree, of the work of state administrative offices.

The curfew hour is approaching. The dark windows in a majority of the apartments testify that their occupants are resting peacefully. In the hotel room, the governor of Radom continues with the reading brought from the gminas. Tomorrow morning he will once again appear before other workers in the office. What will this next day be like?...

9891

CSO: 2600/399

CONSTRUCTION MATERIALS INDUSTRY TO REDUCE CONSUMPTION

Bucharest ROMANIA LIBERA in Romanian 23 Feb 82 pp 1, 5

[Interview with Marin Cristea, deputy minister of the forestry economy and construction materials, by Corneliu Antim]

[Text] [Question] The current economic context has restricted the scope of investment projects, at least for construction-assembly jobs. Could you be specific as to what effect this step has for the construction materials industry?

[Answer] The construction materials industry, as also shown by the figures on fulfillment of the unified national plan of development for 1981, in general lines has answered the requirements of the national economy. What is definitive for this industrial sector is agreement between the rates and structure of our own development programs and those of the country's economy, with the specification that, generally, the capabilities of this industry have gone ahead of and actually have anticipated certain requirements demonstrated for the economy as a whole. Proceeding from these positions, our plans for the immediate future, besides insuring this "forward step" even further, also include a number of developments of completion. These will give a better-structured balance to existing capabilities which are absolutely necessary for carrying out the qualitative tasks we have proposed for ourselves for this five-year plan. And, so that I am even more conclusive, here is an example: for prefabricated panels the construction materials industry at the present time possesses the necessary capability for supplying the job sites with the quantities requested. But, with regard to reaching the qualitative performances, finishing and other more subtle technical-operational parameters for each product or subproduct, we still have a lot to do. The developments I was mentioning before are to cover precisely these gaps. And we are at a point of reordering the entire system we have created up until now, giving it greater stability in all links, but also a more pronounced qualitative scope, elements which also permit our more consistent participation in the international economic exchanges. This explains why the construction materials industry in this five-year plan will have a lower annual growth rate than in other years--from 5-5.7 percent, but enough for the tasks which Romania's economy and the public works programs have set for us for this period.

[Question] Please specify in continuation what the main directions are for orienting the activity of this important Romanian industry in the current economic circumstances.

[Answer] The current economic context has obligated us to place a greater emphasis on several orientations; they are superior utilization of raw materials and materials specific to this industry--and there are many of them!--simultaneous with the concern with reducing the consumption of materials, fuels and energy. A third orientation also results as an extension of these concerns: emphatic growth in the degree of utilization of raw materials and materials as well as including new sources of raw materials and materials in the sphere of industrial use. We also have proposed to build a greater range of light construction materials, without altering the performances of resistance and functionality, at the same time eliminating the energy-consuming products being manufactured today in several of Romania's units. In this regard, we propose to increase the performance of each product, either in specific resistance or in quality improvements and commercial appearance. The idea which best can be illustrated is with our ceramic products: pottery, slate, terracotta, health objects and fittings, where our ambitions are even greater and in the full process of being carried out. Then, referring to the savings of traditional raw materials and the introduction of some new materials, we shall use in manufacturing an entire series of reusable material products, such as ash from the thermoelectric power centrals (in the proportion of 5-7 percent), metallurgical cinder and other local materials. The cinders used for masonry blocks (for example, bricks) are substitutes for earth. And more than a few have forgotten that best earth for bricks is also the best for growing corn! The network of developments we have proposed includes a number of minicapabilities which will be set up exactly where other construction materials do not exist. So we also carry out the idea of reducing the distances for transporting these materials to the minimum. In this regard, enough production capabilities are being activated for the coming period and they will be able to produce 530 million brick work blocks per year, equal to normal format, of which 290 million per year are with an addition of ash from the thermoelectric power central and 240 million per year are with light aggregates; 200,000 cubic meters per year of light artificial aggregates on the base of ash; 500,000 cubic meters of autoclaved cellular concrete per year, of which 220,000 per year are on the base of ash and others.

[Question] The action to standardize recently, naturally, has also affected the products of the construction materials industry. What are the effects of the action in your opinion and according to the experience accumulated until now?

[Answer] These actions have had at their base the utilization of our own research projects carried out in the 1976-1980 period. In the end, we have compiled 50 model designs, which provide nearly 72 percent of the volume of investment projects forecast to be carried out this year. The action is unfolding in order to cover the entire volume of new investment projects forecast for this five-year plan and for the period of the next years with the model designs. I say this because the effects of this action, thought to be a permanence of continuity, are much more consistent and an accounting of them can only be made on realistic bases in time, through successive accumulations and systematic correlations. As far as we are concerned, the model designs we shall apply in the 1981-1985 five-year plan are bringing an estimated reduction in cement consumption of 25 percent, 30 percent for metal and 23 percent for asphalt, compared with the solutions used previously.

At another level, we have sought to remove from manufacturing the raw materials and materials which require high consumptions of energy and fuels as well as of those being achieved with technological losses or high material consumptions and production costs. Some 4,533 varieties of construction materials and elements were examined in the analysis we have made until now, removing 3,527 elements (nearly 78 percent) from manufacture! The effect we are anticipating to achieve by the end of this five-year plan, as a result of this action, totals a reduction of more than 27 million lei in total manufacturing costs. But the results of these improvements we are making today are much more complex and broad than the numerical symbol we have cited above.

Whereas in the 1976-1981 period, as a result of actions of research, design, rationalization and standardization of products and technologies, savings were achieved which totalled more than 493,000 tons of conventional fuel just in the sectors of construction ceramics and cement, our concerns with continuing to reduce these consumptions aim at a number of joint actions (research, design and operation) whose goals I shall cite: extending the use of solid fuels (brown coal, lignite) as a secondary source in the clinkering and in construction ceramics; improvement in technologies and installations of the cement technological lines by introducing the dry procedure with pre-calcination; single-layer combustion of fine ceramic plates for finishing for walls in the tunnel ovens with rollers and many others which we shall not enumerate here. These actions will permit a continued reduction in specific consumption of 20 percent for concrete prefabricated parts; 16 percent for pressure tubes from prestressed concrete; 14 percent for autoclaved cellular concrete; around 15 percent for construction ceramics, to limit myself just to several of our basic products.

[Question] The tasks belonging to this industry in this stage provide for important quality changes. At least that is what is being deduced from what has been stated until now. How will you accomplish these programs and what products are being taken into consideration?

[Answer] The introduction of new technologies as well as improvement made to existing ones mainly seek two goals: first, reduction in the energy consumption incorporated in the mass of products which we are manufacturing and replacing the superior primary fuels and scarce materials with other resources, most of which have been identified at this date. Second, in order to provide a functional range and broader areas of utilization, we have created the resources needed to improve certain performances even in the structure of the products noted. Let us give an example: we manufacture the so-called BCA for masonry, but it also may be used as an insulator; also, gypseous panels, initially conceived just as separating elements but which also are decorative and so forth. All these "extensions of the useful-functional range" have a single big effect: a substantial rise in the efficiency of production and a clear quality increase in the products.

Returning to the introduction and extending of new technologies or modernized manufacturing technologies intended to reduce fuel, raw materials and scarce materials consumption but which also contribute to the growth in labor productivity, I shall use as arguments several achievements which today are in the full process of generalization at the industrial scale. For example, the

technology for the use of inferior solid fuels (brown coal, lignite) for combustion of clinker. . . The technology leads to replacing 20-26 percent of superior primary fuels (gases or burning oil) applied experimentally at the Cimpulung binder combine. By 1985 the application of the procedure with precalcination at the line of 3,000 tons of clinker per day will be finalized in the development of two cement factories. The new procedure reduces the technological consumption of fireproof material by 1,000 tons per year per line, while that of fuel--by 2,000 tons of conventional fuel per year. The new technology for burning bricks and ceramic blocks is now being generalized, by using for an addition the sterile carbon-bearing fuels and embedded inferior coal even within the mass of the product. Application of the technology will lead to replacing a minimum of 25 percent of the total consumption of superior fuel, at the same time eliminating the consumption of superior fuel in drying of the products. And the list of examples could even continue. With regard to certain local or reusable materials, nine capabilities are forecast for this five-year plan for masonry blocks with ash addition, a number of special arrangements for utilization of ash in 25 factories of prefabricated parts, two capabilities for autoclaved cellular concrete with ash addition, another two capabilities for light artificial aggregates by using ash and others. Achieving these arrangements by 1985 will permit an increase in the use of ash from the thermoelectric power centrals which is 5 times greater than in 1980.

By the quality changes obtained in the ways presented above and which are the result of our own research efforts undertaken in the last five-year plan, the degree of utilization of raw materials and materials will increase this year by around 7 percent compared with 1980 for the main construction materials and elements, the coefficient which will have a more pronounced rise in the coming period. The results we have mentioned here are not accidental. I want to stress, in support of this assertion, that the construction materials industry has not imported either construction materials or licenses or equipment in the last two decades but, merely, in some cases, models of reference with a view to assimilation. Each time we have succeeded in building everything we needed in Romania. In exchange, we propose to be even more bold in promoting our products and technologies on the foreign markets. Significant examples in this regard are the cement factories, those for autoclaved cellular concrete and for other materials which are being designed, supplied and some of them, as we say, are being put "under key." In the current stage eight big projects in Iraq, Egypt, Dubai, China and Lebanon are in the design stage and in various phases of construction.

We hope that all our thought, what we have presented here concisely, will lead this industry, so important in the strategy of Romania's economic development, to the degree of maturity needed with a view to obtaining as large an efficiency as possible and a quality of product which is truly competitive.

8071

CSO: 2700/219

BRIEFS

MACHINE INDUSTRY EXPORTS--In the first two months of 1982 products of the Romanian machine building industry penetrated into new markets in Europe, Asia, Africa and America. Recently, protocols, conventions and contracts were concluded with firms in Great Britain for the delivery of 3,'80 "Dacia 1310" passenger vehicles and with Egypt for two complex workshops for repairing railroad cars. Also, in the framework of other transactions, 44 "Condola"-type freight cars, intended for Mexico, were shipped from the port of Constanta and the first specially constructed buses, adapted for the climate and conditions of the Middle East and needed for transporting passengers long distances, were delivered to Iraq. At the present time, the products of the machine building industry account for about 30 percent of Romanian exports. The foreign trade enterprises are continuing to work for the expansion of sales markets. At present, they have established economic and technical-scientific relations with 150 countries. [Excerpts] [Bucharest ROMANIA LIBERA in Romanian 9 Mar 82 p 1]

CSO: 2700/226

HEAD OF NATIONAL BANK DISCUSSES FINANCIAL SITUATION

Belgrade BORBA in Serbo-Croatian 24 Feb 82 p 5

[Interview with Radovan Makic, general director of the Yugoslav National Bank by TANJUG editor Milos Petkovic]

[Text] By granting credits to Yugoslavia (the day before yesterday a second loan of another 700 million dollars was approved), the International Monetary Fund has accepted the objectives of Yugoslav economic policy. A active interest rate policy must be pursued. A firmer position for the dinar domestically and in foreign trade can only be based on a more stable economy. Another essential factor is a policy including a realistic exchange rate for the dinar and the elimination of monetary dualism.

Belgrade, 23 February. TANJUG Yesterday the Council of Executive Directors of the International Monetary Fund approved a second loan to Yugoslavia of about 700 million dollars. This is a so-called "stand-by" arrangement. An agreement was reached last with this institution last year specifying that until the end of 1983 approximately 700 million dollars could be used annually, i.e., a total amount of 2.1 billion dollars. The arrangement represents the Fund's support of the Yugoslav economic stabilization program and balance of payments adjustments during the current 5-year plan, according to Radovan Makic, general director of the Yugoslav National Bank, in an interview with TANJUG editor Milos Petkovic.

This is one of the three largest agreements by which the Fund has made resources available to member countries to overcome balance of payments difficulties and to promote more rapid structural transformation. Such a decision could be expected after the joint analyses and evaluations of the implementation of the stabilization project on the basis of which the "stand-by" loan was made. This ends some speculation and guessing about supposed disagreements between Yugoslavia and the Fund regarding the consistency of the Yugoslav economic stabilization program, according to the National Bank's director. Incidentally, Yugoslavia has been a member of the International Monetary Fund since its founding at the Bretton Woods conference.

Joint Decisions

The Fund accepted the objectives of Yugoslav economic policy and did not insist on special supplemental conditions, although the arrangement relates to capital to be used for so-called higher credit loans, and these are usually accompanied by sharper demands, or a higher level of conditions. That has been particularly characteristic in recent times. As far as this year is concerned, the objectives of Yugoslav economic policy are considered ambitious but attainable. It is certain that the negotiations were difficult and complex, yet joint solutions were found that are acceptable to both sides. The disputed questions related to the conduct of contrived and basically restrictive measures of monetary and credit policy, to a realistic dinar exchange rate, and to several other measures that are intended more resolutely to brake price increases and slow down and reduce inflation.

In that context a more active interest rate policy was also imposed. The Fund's viewpoints in this regard are very radical. Despite that, according to Radovan Makic, positions on interest policy were brought into harmony. That means that in the future we in Yugoslavia will have a more active interest rate policy with selective increases related to credits intended specifically for the economy and for the population. Likewise, at the same time we must strive to reduce the role of credit relationships and the economy's dependence on bank loans.

The Degree of Indebtedness

When we talk of the obligations for the country and its economy that stem from this arrangement, it is essential to stress that they are the same ones that are clearly indicated in our economic stabilization program, which we ourselves adopted for implementation.

After speaking of the need for implementing the established economic stabilization program, Radovan Makic explained the foreign indebtedness policy and the obligations that stem from it. He noted that from 1976 to 1981 our foreign debt rose from 7.8 billion to 18.4 billion dollars. That was a period of extremely intensive reliance on foreign credits. The debt in the convertible currency regions amounts to 16.9 billion, while that in the "clearing" regions is 1.5 billion dollars.

Balance of Payments Equilibrium

If we evaluate the country's level of indebtedness according to prevailing international criteria, which shows that indebtedness really is the total obligation for repaying capital and paying interest, relative to incoming foreign exchange, it turns out that in the Yugoslav case all trends are occurring within tolerable boundaries. For purposes of servicing the indebtedness, 20.3 percent of the total foreign exchange income is set aside.

Incidentally, the balance of payments equilibrium has been upset in many countries, including those with the most highly developed economies in the world. The problems of financing the balance of payments deficit is becoming more critical for them as well. That could not help but affect Yugoslav development, although that foreign influence, when we speak of the Yugoslav economy and about balance of payments difficulties in general, should not be overestimated. If we consider external liquidity, Makic believes we can state that under very complex overall international circumstances, we have successfully responded to our obligations to foreign countries. Complete solvency has been provided in payments, and the country's reputation as a regular, dependable client has been preserved.

We live in a complex and difficult international political and economic situation (with recession, unemployment, inflation, balance of payment and budgetary deficits, large debts of developing countries, and a serious situation in capital markets). In these circumstances we must more clearly define all the decisions aimed at taking up the economic challenges of modern times, within the framework of the stabilization strategy. The world economic difficulties, stagnations, recessions and crises will not be of short duration.

According to accepted international parameters, this situation is not regarded as critical, although it is pointed out that all must strive without fail to reduce indebtedness. To do so is one of the key provisions of the current Yugoslav intermediate plan. Added to that is the fact that this year, the balance of payments deficit is to be cut to 500 million dollars. The prevailing opinion is that that is necessary and possible, while at the same time it is very difficult under the present complex international economic conditions.

It is anticipated that with enormous efforts it will be possible to restore the balance of payments equilibrium in 1983. Without that there can be no successful economic and self-management development, nor a serious reduction in the expenses that result from use of increasingly expensive foreign capital. Just the interest on previous loans cost 2.1 billion dollars last year. Despite the large foreign exchange income from services, Yugoslavia's largest economic woe continues to be its deficit in goods commerce with foreign countries.

The Dinar's Future

Speaking of the position of the Yugoslav currency and its real exchange rate, Makic stressed that the future of the dinar need not be so bad. There are signs that promise gradual positive changes, even though recently the dinar has been losing value. During the past 2 years a satisfactory pattern for goods commerce has been recorded, with a solid foreign exchange income from other sources. Meanwhile the long uncontrolled expenditure of foreign exchange for various purposes has slowed.

An improved position for the dinar domestically and a more enviable role in foreign trade can be based only on a more stable economy. If we record success in those efforts, stressed Makic, the dinar will become more

acceptable as a means of payment, even to foreign commercial partners. Besides that, the capacity of domestic economic enterprises to buy needed foreign exchange with it will also increase. In short, the dinar will gradually become partially convertible both internally and abroad. That is the direction being sought.

The policy of establishing a realistic dinar exchange rate is a component part of the process discussed above. To pursue such a policy under present conditions means to behave in a disciplined fashion. Among other things, it is unavoidable that we adjust precisely the exchange rate level to differences in the growth of Yugoslav prices relative to increases in foreign prices in the countries with which we trade. This domain includes coordinating foreign exchange rates on the Yugoslav market with those in the rest of the world, while keeping in mind that such fluctuations will have an active impact on balance of payments. It should be stressed that the policy of a realistic exchange rate will be more effective as the need for changing it decreases. In a word, if better results are achieved in the overall stabilization policy and the difference between the Yugoslav inflation rate and that of foreign countries is reduced, our success will be the greater.

Finally, in order for the dinar to move at least in the direction of convertibility, it is unavoidable that we use all measures to eliminate monetary dualism. That is one of the ways to strengthen the position of domestic currency as the basic unit for measuring value both in payments at home and with time, abroad as well. With these words, Radovan Makic, general director of the Yugoslav National Bank, ended his interview with TANJUG.

12131

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IMPORTS, EXPORTS IN FERROUS METALLURGY

Belgrade CELIK in Serbo-Croatian Dec 81 pp 21-25

[Article by Vojislav Jovanovic]

[Text] Ferrous metallurgy's balance of trade in 1980 bears all the characteristics of previous years. Imports of basic raw materials, iron ore and concentrates, increased by over 500,000 tons, or 40 percent, imports of steel scrap were up more than 130,000 tons, or 38 percent, coking coal 5 percent, and semifinished products 4 percent, while imports of finished steel products were held at the level of previous years (only 1,000 tons more than in 1979 and 17,000 tons more than in 1976). The tendency of a decline in exports of finished steel products also reemerged (a drop of more than 90,000 tons compared to exports in the previous year and over 200,000 tons compared to 1976 exports). Finally, the tendency toward increased imports of flat steel continued (5 percent), as did the drop in imports of section steel (5 percent) and miscellaneous products (pipe, drawn wire, and so on; 15 percent), along with the continued rise of world prices of all types of raw materials and semifinished and finished products. As a consequence of these developments, the gap widened between total expenditures to import materials and finished steel products and revenues from exporting these products by about \$254 million. The deficit increased from \$894 million in 1979 to \$1.14 billion in 1980.

Imports of Basic Metallurgical Raw Materials and Semifinished Products

Imports and exports of metallurgical raw materials always comes down to their imports within the Yugoslav steel industry. It is well known that our ferrous metallurgy meets a portion of its needs for raw materials with imports because for the present the capacity in place is not satisfying domestic consumption, as is the case with iron ore and steel scrap, while the importation of coking coal is permanent in nature, since domestic resources do not exist. The importation of semifinished products is a function of construction of metallurgical plants, and it can accordingly be said that this importation is temporary.

As we see in the table, imports of basic metallurgical raw materials and semifinished products last year, 1980, showed the same characteristics as imports in the previous year, along with certain changes with respect to the quantities

of ore imported. That is, if we examine the trend of imports of iron ore over the last 5 years, we note a very large growth, since steel production in that period was not accompanied by an adequate growth of domestic ore production. This is the ore for production of pig iron, since the importation of ore for refining in steel mills and of concentrate for the production of pellets remained at approximately the same level.

Table 1. Imports of Basic Metallurgical Raw Materials and Semifinished Products¹

Product Designation	1976	1979	1980	Index	
				1980 1979	1980 1976
Iron ore and concentrate					
Quantity, thousands of tons ²	459.1	1,059.7	1,560.3	147	340
Value, thousands of dollars ³	10,788.0	28,948.0	63,836.0	--	--
Average value, dollars/ton	23.5	27.3	40.9	--	--
Coking coal					
Quantity, thousands of tons	2,393.5	2,205.7	3,353.5	105	140
Value, thousands of dollars	126,377.0	182,068.0	211,944.0	--	--
Average value, dollars/ton	52.8	56.8	63.2	--	--
Steel scrap					
Quantity, thousands of tons	385.2	344.9	476.1	138	123
Value, thousands of dollars	38,756.0	38,532.0	68,799.0	--	--
Average value, dollars/ton	100.6	111.7	144.5	--	--
Semifinished products					
Quantity, thousands of tons	814.3	958.2	993.3	104	122
Value, thousands of dollars	169,956.0	235,071.0	284,061.0	--	--
Average value, dollars/ton	208.7	243.3	285.9	--	--

1 Imports of iron ore, coking coal and steel scrap based on data of the Federal Bureau of Statistics. Imports of semifinished products based on data of the General Association of Yugoslav Ferrous Metallurgy.

2 All values are given on the basis of fob the Yugoslav border or cif the Yugoslav seaport, duty not paid, at the following rates of exchange: for 1976 \$1 U.S. = 17.0 dinars; for 1979 \$1 U.S. = 18.25 dinars; and for 1980 \$1 U.S. = 27.30 dinars.

3 The total value of imports and the value of processing per ton of imported material do not give a realistic picture of the movement of prices on the world market because of the uneven rates of inflation in the world and the devaluations of the dinar during the period under consideration.

Much the same was the case with imports of coking coal, whose growth over the last 5 years occurred as a consequence of the activation of the new coking plant in Bakar.

As for steel scrap, its importation depends in part on domestic collection and consumption outside the enterprises of ferrous metallurgy.

By comparison with 1979 imports of semifinished products for further processing remained at the same levels in 1980, while the imports of these products in 1976 were somewhat lower.

Imports of Iron Ore

As we have already said, these imports increased considerably in 1980 relative to the earlier period. Even so the growth of imports to over 1.5 million tons does not represent any very sizable item on a world scale (world imports and exports of ore amounted to 393.7 million tons according to figures for 1979). As domestic capacity expands, imports of ore for the production of white and gray pig iron in Yugoslavia will probably cease altogether.

With respect to the qualitative composition of imports, iron ore for the production of gray iron comprised 84.3 percent of total imports, and the remainder consisted of ore for refining in steel mills and electric arc furnaces (8.3 percent) and concentrate for the production of pellets (7.4 percent).

More than one-third (34.4 percent) of all the ore consumed in 1980 was imported, while in previous years this share was much smaller: 24.3 percent in 1979 and only 7.9 percent in 1976.

Most of the ore imported last year came from the developing countries: more than 1 million tons each from India and Peru, along with imports from Brazil, Mauritania, Algeria and Morocco. Imports of iron ore concentrate for the production of pellets came entirely from the USSR and amounted to approximately 115,000 tons last year. Coking coal was mostly imported from the USSR (49.0 percent of total imports), and then from the United States (32.6 percent) and finally from Czechoslovakia (18.4 percent).

In addition to coking coal, smaller amounts of coke for ferrous metallurgy, amounting to 17,976 tons, were also imported in 1980, since domestic producers were unable to deliver them because of difficulties in the supply of coking coal.

Imports of Steel Scrap

This item depends mostly on the use of domestic sources (collection), in whose consumption consumers outside the enterprises of ferrous metallurgy (foundries) also participate. Average annual imports of steel scrap range somewhere about 20 percent of total needs. In 1980 imports amounted to 22 percent, in 1979 16 percent and in 1976 25 percent of all needs.

We need to mention that aside from regular imports, a fairly sizable portion of imports of steel scrap from the eastern European countries are covered by barter transactions.

The total quantities of steel scrap imported include the scrap from cutting up old ships which are imported. In 1980 this amounted to 59,058 tons, or 12.4 percent of total imports. Most of the imports of old ships for scrap come from the developing countries or the East European countries.

The regional breakdown of steel scrap imported in 1980 was as follows:

East European countries	377,018 tons or 79.2%
Developing countries	25,045 tons or 5.3%
Industrially advanced countries	74,058 tons or 15.5%

Imports of steel scrap from the East European countries remained at approximately the same level as in 1979, while imports from the industrially advanced countries increased somewhat at the expense of imports from the developing countries.

Imports of semifinished products in 1980 had a share of about 24 percent in the total quantity of finished products manufactured (calculated on the basis of the standard coefficient of 1.10 for conversion of raw steel to semifinished products or 1.30 to finished products).

The distribution by types of the 993,341 tons of semifinished products imported in 1980 was as follows:

Ingots	245,902 tons or 24.7%
Blooms and slabs	207,599 tons or 20.9%
Wide hot-rolled strip coils	538,118 tons or 54.0%
Brake and plate [(?) intermediate shapes for making foil]	1,722 tons or 0.0%

It is evident from the breakdown of imported semifinished products that the largest share, about 75 percent, was intended for the production of flat stock.

Most of the imported intermediate products (75 percent) come from the East European countries. Imports from these countries were made in large quantities on the basis of barter transactions (402,086 tons). The remaining 25 percent imported came from the industrially advanced countries. The largest quantities were obtained from Czechoslovakia (270,251 tons), and then from the USSR (220,924 tons) and Romania (101,905 tons). Among the industrially advanced countries the largest imports were from Austria, and then from Spain and West Germany. It is interesting to note that Spain made its appearance on the Yugoslav market in 1980, and that with sizable quantities of ingots (66,709 tons). In view of the moderate geographic distance and high shipping costs, partly offset by cheaper maritime transport, it is difficult to believe that imports of semifinished products from that country will increase in coming years.

Semifinished products from the industrially advanced countries were mostly purchased because of greater opportunities to obtain the appropriate assortments in terms of quality and size than exist in the countries with the bilateral method of payments.

All the quantities of semifinished products imported were not processed into finished products for the domestic market, but rather a goodly portion was returned to the country of origin of the semifinished product.

A total of over \$628 million was paid or borrowed in 1980 to import basic metallurgical raw materials and semifinished products, and almost half of that sum went for imports of semifinished products. Total outlays of foreign exchange for those products were far smaller in previous years, but the ratio between basic raw materials and semifinished products has remained almost the same.

Imports of Steel Products

Total quantities of finished products of ferrous metallurgy imported in 1980 remained at practically the same level as imports in the previous year. However, certain changes were recorded in the breakdown by types and sizes, which reflects the fact that the needs of the market are subject to constant change. These changes are much more obvious if we compare imports in 1980 with imports in 1976 (Table 2). For example, we note a reduction in imports of certain products because the respective domestic rolling mills were put into service (rolled wire and reinforcing steel), but at the same time there was an increase in imports of other products either because domestic capacity could not keep up with the growth of their consumption (cold-rolled sheet and strip, galvanized sheet, etc.) or because they are not yet produced (tinplate).

Table 2. Imports of Finished Steel Products,¹ in tons

Type of Product	1976	1979	1980	Index	
				<u>1980</u> <u>1979</u>	<u>1980</u> <u>1976</u>
Railroad rails and accessories	5,268	59,123	28,499		
Heavy, light and medium shapes ²	129,325	161,170	144,698		
Rolled wire and reinforcing steel	<u>165,586</u>	<u>43,023</u>	<u>78,077</u>		
Total section steel	300,179	263,316	251,274	95	84
Heavy- and medium-gauge hot-rolled sheet and plate (lamele) ¹	156,561	139,675	134,549		
Thin cold-rolled and hot-rolled sheet and cold-rolled strip	191,797	227,840	235,244		
Tinplate	64,912	74,664	90,155		
Galvanized and other coated sheet	34,188	42,392	50,626		
Hot-rolled strip and welded pipe ³	<u>103,361</u>	<u>96,488</u>	<u>101,350</u>		
Total flat steel	550,819	581,059	611,924	105	111
Seamless pipe	49,384	79,499	55,513		
Drawn wire	45,395	36,290	43,362		
Forged steel and steel tires for railroad car wheels	<u>763</u>	<u>2,446</u>	<u>1,585</u>		

Table 2 (continued)

Type of Product	1976	1979	1980	Index	
				1980 1979	1980 1976
Total miscellaneous products	95,542	118,235	100,460	85	105
Total volume, tons	946,540	962,610	963,358	100	102
Total value, thousands of dollars	381,173	518,396	708,488		
Average value, dollars/ton	402.7	538.8	735.5		

1 The survey is based on data of the Federal Bureau of Statistics and covers not only regular imports, but also imports resulting from barter transactions with the East European countries, not including transactions for finishing and processing. All the values are given on the basis of fob the Yugoslav border or cif the Yugoslav seaport, duty not paid, on the basis of the following rates of exchange: for 1976 \$1 U.S. = 17.0 dinars, for 1979 \$1 U.S. = 18.25 dinars, and for 1980 \$1 U.S. = 27.30 dinars.

2 Encompasses all types and qualities of hot-rolled drawn shapes.

3 Encompasses all types of hot-rolled heavy- and medium-gauge sheet, including ship and boiler plate.

4 Hot-rolled strip to 600 mm in width.

As for the relationship between the production and import of rolled and drawn materials in 1980, the quantities imported had a share of 20.2 percent in total steel consumption in Yugoslavia. That percentage was 20.3 percent in 1979 and all of 30.0 percent in 1976. Consequently, the coverage of domestic needs by imports remained within the limits of the planned proportions during 1979 and 1980 (imports of semifinished products were not taken into account in this calculation).

The jump in total expenditures to import finished steel products in the 1976-1980 period is obviously occurring as a consequence of inflationary trends in the world and is only related in small degree to changes in quantities and assortment of imports of finished steel products.

Changes in the composition of imports of finished steel products over the period 1976-1980 showed a mild but steady tendency toward a reduction in the share of shapes and an increase in the share of flat steel, while the group of miscellaneous products is subject to fluctuation, as shown in the table below:

	1976	1979	1980
Shapes	31.9%	28.2%	27.2%
Flat steel	57.5%	59.1%	61.9%
Other products	10.6%	12.7%	10.9%
	100.0%	100.0%	100.0%

The composition of imports differs essentially, of course, from the distribution of steel consumption in Yugoslavia, since the amounts of finished steel products imported were only a supplement to domestic production.

Imports of various types of products in the group of rolled and drawn products show diverse tendencies. For example, imports of railroad rails have remained very high, since in 1980 imports of this material continued on the basis of the international loan intended for modernization of the Yugoslav railroads. Imports of all types of steel shapes were down slightly, which is explained by the sizable deliveries of these products from domestic steel mills. Imports of rolled wire are continuing to grow, while imports of reinforcing steel are minimal (slightly over 2,000 tons). Mainly the higher grades of rolled wire are imported for the screw industry.

With respect to flat steel, imports of hot-rolled heavy and medium-gauge sheet remained at approximately the same level as in the previous year. Ship plate is the principal item in this import category. Unfortunately, we are not able to show the actual quantities, since customs authorities have not been recording this type of sheet or plate separately since 1978. However, on the basis of estimate and past experience, imports of ship plate in 1980 amounted to slightly more than 100,000 tons. Imports of lamelle amounted to 2,215 tons, approximately the same as in previous years. The remainder of approximately 32,000 tons consisted of boiler plate and miscellaneous sheet for construction.

The largest item in the category of thin sheet continued to be thin cold-rolled sheet (183,370 tons, including hot-rolled sheet, whose imports are minimal). The consumption of cold-rolled sheet has been growing very rapidly year after year, and domestic production still has not been able to meet all the demand, especially for the higher grades. That is why the better-quality types of sheet are still imported, such as those for auto bodies, stainless steel sheet, "ersatz" sheet and certain other grades.

It is evident from the figures presented that imports of tinplate, and that at the same time means consumption, reached nearly 100,000 tons in 1980. The case is similar with galvanized sheet, though the slowing down of construction activity because of the stabilization measures could slow down the expansion of this consumption.

Under the category of hot-rolled strip and welded pipe, most of the imports consist of hot-rolled strip (about 50,000 tons), and the share of welded pipe is smaller. This shows that domestic production of welded pipe is meeting almost all the demands of consumers, so that only special types are being imported.

In the miscellaneous category imports of seamless pipe are also down somewhat from 1979. Here again the stabilization measures will act as a limiting factor on consumption, and a further decline of imports should be expected. Imports of drawn wire last year held to approximately the same quantities as in previous years. The principal imports are patented wire, wire for reinforced concrete, and other types of quality wire.

On the World Steel Market

Viewed on a world scale, our imports of rolled and drawn products, including imports of semifinished products, which amount to about 2 million tons, represent about 2 percent of world imports (exports). That is, according to the data of the international organization IISI [(?) International Institute of the Steel Industry] in Brussels, when mutual deliveries of the countries of the large regional organizations, the Common Market and CEMA, are subtracted from total exports, then net exports (imports) amount to about 100 million tons of finished products and semifinished products, in which our country has a share of 2 percent. If all the countries in the world are ranked with respect to the volume of their imports, Yugoslavia occupies 16th place on that list with its 2 million tons of imports and 8th place among countries which are predominantly importers of steel and steel products.

The composition of world imports (exports) of steel differs essentially from the pattern of our own imports since imports of semifinished products predominate in our case (about 50 percent). The differences between the pattern of our imports and the world pattern of imports are shown in Table 3.

Table 3. Comparative Survey of the Pattern of World and Yugoslav Imports of Finished Steel Products in 1979¹

Type of Product	Entire World		SFRY	
	Thousands of Tons	%	Thousands of Tons	%
Raw steel and semifinished products	5,600	5.2	958	49.9
Railroad rails and accessories	1,000	0.9	59	3.1
Heavy, medium and light hot-rolled and cold-rolled shapes	23,000	21.2	161	8.4
Rolled wire, including reinforcing steel ²	6,300	5.8	43	2.2
Heavy, medium and thin hot-rolled sheet ³	24,600	22.7	140	7.3
Thin cold-rolled sheet and cold-rolled strip	18,700	17.4	231	12.0
Hot-rolled strip and welded pipe ⁴	1,900	1.8	96	5.0
Tinplate	3,100	2.9	74	3.8
Galvanized and other coated sheet	5,800	5.4	42	2.2
Seamless pipe and fittings	15,500	14.4	79	4.1
Drawn wire	1,900	1.8	36	1.9
Steel tires for railroad car wheels, carframe members, and forgings ⁵	500	0.5	2	0.1
Total	107,900	100.0	1,921	100.0

1 According to the data of WORLD STEEL IN FIGURES, 1981, IISI, Brussels. Exports of the entire world encompasses 90 percent of the total amount of exports of the industrially advanced countries (14 countries).

2 All of the coils we imported served as semifinished products.

3 In our nomenclature hot-rolled thin sheet includes cold-rolled sheet and strip.

Footnotes to Table 3 (continued)

4 The world survey of exports does not include welded pipe, since in the industrially advanced countries welded pipe is not regarded as a product of ferrous metallurgy, but as a metal fabrication.

5 In our classification includes only tires for railroad car wheels and forged steel.

Table 4. Regional Pattern of Imports of Finished Products

<u>Designation</u>	<u>1979</u>	<u>%</u>	<u>1980</u>	<u>%</u>
Total imports				
In tons	962,610		963,658	
In thousands of dollars	518,397		708,488	
In value, dollars/ton	539		735	
Imports from the East European countries				
In tons	436,499	45.4	452,955	47.0
In thousands of dollars	180,407	34.8	283,199	39.9
In value, dollars/ton	403		625	
Imports from the industrially advanced countries				
In tons	524,876	54.5	509,361	52.9
In thousands of dollars	337,073	65.0	454,064	59.9
In value, dollars/ton	608		832	
Imports from the developing countries				
In tons	1,185	0.1	1,342	0.1
In thousands of dollars	916	0.2	1,225	0.2

The year 1980 did not bring any major changes in the regional pattern of imports (Table 4). By comparison with the previous year there was a slight increase in imports from the East European countries at the expense of imports from the industrially advanced countries, which certainly will have a beneficial effect on our country's balance of payments.

On the basis of average values per ton of the material imported, we can say on the basis of the table that products of higher quality or more expensive types of rolled and drawn products are being imported from the industrially advanced countries. Imports from the developing countries consist of steel wire used for making reinforcing in automobile tires (imports from India).

Exports of Finished Steel Products

It is well known that exports of rolled and drawn products has always played a far smaller role in Yugoslavia's international trade than imports. As we see from Table 5, exports of finished products of ferrous metallurgy were smaller in 1980 than in the previous years. The principal reason for the drop of exports lies in the greater demand for all types of products on the domestic market and the reduced volume of barter transactions involving rolled products.

Table 5. Exports of Finished Steel Products¹

Type of Product	1976	1979	1980	Index	
				<u>1980</u> <u>1979</u>	<u>1980</u> <u>1976</u>
Railroad rails and accessories	28,226	32,048	14,171		
Heavy, medium and light shapes	123,526	67,072	67,108		
Rolled wire and reinforcing steel	<u>2,015</u>	<u>66,059</u>	<u>26,602</u>		
Total shape steel	153,767	165,179	107,881	66	71
Heavy and medium hot-rolled sheet and plate	19,130	13,395	4,302		
Thin hot-rolled and cold-rolled sheet and strip	33,280	28,284	13,860		
Galvanized and other coated sheet	103	90	72		
Hot-rolled strip and welded pipe	<u>153,423</u>	<u>58,851</u>	<u>53,980</u>		
Total flat steel	205,936	100,620	72,214	72	35
Seamless pipe and fittings	48,207	26,984	15,176		
Drawn wire	1,499	1,971	5,530		
Steel forgings and tires for railroad car wheels	<u>1,729</u>	<u>6,789</u>	<u>9,391</u>		
Total miscellaneous products	51,435	35,744	30,097	84	56
Total, in tons	411,138	301,543	210,192	70	51
Value, in thousands of dollars	137,397	108,758	106,604		
Average value, in dollars/ton	334	360	508		

1. The table is based on data of the Federal Bureau of Statistics. All the values were given on the basis of fob the Yugoslav border or fob the Yugoslav seaport at the following rates of exchange: for 1976 \$1 U.S. = 17.0 dinars, for 1979 \$1 U.S. = 18.25 dinars, and for 1980 \$1 U.S. = 17.30 dinars.

Table 6. Regional Pattern of Exports of Finished Steel Products

Designation	<u>1979</u>	<u>z</u>	<u>1980</u>	<u>z</u>
Total exports				
In tons	301,543		210,192	
Value, in thousands of dollars	108,767		102,836	
Value, in dollars/ton	361		508	
Exports to East European countries				
In tons	196,800	63.3	133,482	63.5
Value, in thousands of dollars	68,823	63.4	65,811	63.9
Value, in dollars/ton	394		493	

Table 6 (continued)

<u>Designation</u>	<u>1979</u>	<u>±</u>	<u>1980</u>	<u>±</u>
Exports to the industrially advanced countries				
In tons	78,944	26.2	57,121	27.1
Value, in thousands of dollars	28,018	25.7	26,789	26.1
Value, in dollars/ton	355		468	
Exports to the developing countries				
In tons	25,749	8.5	19,589	9.4
Value, in thousands of dollars	11,926	10.9	10,236	10.0
Value, in dollars/ton	463		522	

The table on exports covers not only regular exports, but also exports of rolled and drawn products on the basis of barter transactions with the East European countries. The share of this type of transaction is very sizable in total exports. Yugoslavia's rolling mill capacity is better employed on the basis of this type of transaction, and the products obtained in countertrade for the rolled products exported are those of which there is a shortage on the domestic market or they are important metallurgical raw materials and semifinished products. In 1980, for example, 84,074 tons, or 40 percent of total quantities were covered by barter transactions, and the remainder consisted of regular exports. This share has been higher in previous years, but in 1979 it was 47 percent, while the volume of exports was larger, while in 1976 it was all of 59 percent. Consequently, if we examine regular exports in absolute figures over this period, its fluctuations or reduction were not so great as shown by the figures for total exports. Regular exports amounted to 167,526 tons in 1976, 159,699 tons in 1979 and 126,118 tons in 1980.

In the breakdown by types of products, exports of railroad rails in 1980 were part of regular exports and also barter transactions (slightly greater than regular exports). Exports of heavy and light section steel were also slightly greater in regular exports, as were exports of rolled wire (the export of reinforcing steel was minimal).

As for flat steel, exports of hot-rolled heavy and medium sheet and plate largely occurred through regular exports, while exports of cold-rolled thin sheet and strip took place almost entirely on the basis of barter transactions. The item "hot-rolled strip and welded pipe" was almost entirely [garbled sentence] ..., except for exports of welded pipe, which were partly on a barter basis and partly a regular export.

Almost two-thirds of exports of seamless pipe went to the East European countries (9,351 tons), mostly on a barter basis, while the remainder was a regular export to the industrially advanced countries (5,409 tons) and the developing countries (only 409 tons). Exports of drawn wire occurred almost entirely on a barter basis, while exports of steel forgings and steel tires for railroad car wheels occurred in both forms.

Aside from rolled and drawn products Yugoslav steel mills exported in 1980 other products outside ferrous metallurgy proper in the amount of \$41,517,000

(cast iron pipe, machined and rough castings, screws and bolts, springs, steel fabrications, and so on). By comparison with the previous year these imports grew more than \$16 million.

In view of the large share of barter transactions in exports of the products of ferrous metallurgy, we should mention that from the standpoint of the regional pattern of trade these exports occur mostly with the East European countries (about two-thirds of total exports), while the share of the developing countries in exports is as yet fairly modest and represents 10 percent of the quantities exported. The remainder consists of exports to the industrially advanced countries.

Exports to the East European countries covered almost the entire assortment of rolled and drawn products. The following products were exported in sizable quantities: railroad rails--13,182 tons, medium, light and fine shapes--35,467 tons, rolled wire--24,021 tons, cold-rolled strip--8,066 tons, welded pipe--24,415 tons, seamless pipe--9,351 tons, steel tires for railroad car wheels--92,016 tons, and so on. Sizable exports to the industrially advanced countries included medium and light shapes--21,302 tons, welded pipe--23,180 tons, and seamless pipe--5,409 tons. Exports to the developing countries involved more modest quantities, as follows: heavy section steel--6,926 tons, cold-rolled thin sheet--1,979 tons, and seamless pipe--6,363 tons, and so on.

In addition to exports of finished products, certain quantities of pig iron were also exported in 1980--57,809 tons, along with a certain quantity of semifinished products on the basis of barter transactions.

Viewed from the standpoint of the balance of payments, a total of \$708,488,000 was paid to import rolled and drawn products in 1980. When we subtract from this amount the value of exports, which is \$106,604,000, not including other products which the steel mills exported, then a net deficit of \$601,884,000 is obtained. But if we add to this the value of imports of semifinished products, amounting to \$284 million, then this deficit is still greater.

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CSO: 2800/302

BUSINESS PEOPLE SURVEYED ON ATTITUDES TOWARD SYSTEM

Zagreb START in Serbo-Croatian No 339, 16 Jan 82 pp 32, 34

[Summary of PRIVREDNI VJESNIK economic survey by Milan Gavrovic]

[Text] This year's questionnaire by the Zagreb newspaper PRIVREDNI VJESNIK brought responses in which some 70 general directors or presidents of the largest collectives in Yugoslavia presented their experiences and viewpoints on the country's present economic situation. The businessmen devoted most of their attention to the economic system. In contrast to the growing criticisms and rebukes directed at the system, Yugoslav businessmen consider that the chief source of economic difficulties is the inconsistency in implementation and the insufficient utilization of the opportunities offered by the Law on Associated Labor and the Constitution, not on shortcomings of these documents as such.

The topic is an alternative stabilization program, an alternative and thus something different from what has been applied in Yugoslav practice. The evaluation of positions presented by Yugoslav businessmen in the regular New Year's questionnaire of the Zagreb newspaper PRIVREDNI VJESNIK has gradually crystallized over the past few years (this is the seventh such questionnaire in which, as in previous years, the 70 general directors or presidents of Yugoslavia's largest collectives have participated). Despite the dangers posed by any attempt at generalization, it should be possible to draw some simple conclusions.

Among others, one such conclusion would be that the true interest of the workers at this moment can be more easily and directly expressed through the words of people who work in the economy (whether or not they are properly regarded as "managers" or "technocrats"), than through the still insufficiently developed delegate mechanism. Another is that there are some delimas that have recently caused great commotion that in large part have been forced into the "social superstructure," while in practical terms they are no longer found in associated labor. These are, first of all, dilemmas about the new economic system. As Milan Miletic, general director of the mining and energy industrial complex "Kolubar" in Lazarevac, states: "Sometimes the system is criticized, but we believe that it is not the system that is in question, but rather its development and application." Or as Juraj Razmilic, general director of "Pliva" in Zagreb says: "In associated labor we are in a position where we must struggle cruelly to apply the new system. It has not lived in practice for a single day."

What is the basis of the opinion that makes businessmen suggest some other sort of policy than the one that has been pursued up until now, and how can we plan in some definite way for the year that we have already begun? In the first place, it is based on the attitude toward production. The Resolution on Economic Development in 1982 plans for an overall production growth rate of 2.5 percent, which is lower than that in any previous year. In contrast to that, the businessmen think that "in the factories we should work with 3 and 4 shifts, while in the fields we should cultivate every centimeter of fertile land." (Zarko Cikara of "Hidroelektrika," Zagreb)

Here are some more opinions on the subject:

Gregor Svajger of Gorenje, Titovo Velenje: "We are wasting a lot of energy on criticism, but the fact is that even a hundred doctorates after the fact will not help. It is essential that the production flow, then everything else is easier. If the production stops, then you cannot say that the economic policy is good there, can you?"

Dragutin Kosovac of Energionvest, Sarajevo: "It is significant here to point out that most of our factories that place more than 50 percent of their production in harsh competition on world markets are working several shifts, while many of them, not simply processing plants but machinebuilding plants, are working in a four-shift brigade system. In practical terms that means that those plants are working 24 hours a day, 7 days a week and 365 days a year. Under such conditions and with that kind of work, and only that way, can one stay in competition on world markets, get new jobs and increase exports dynamically."

Nazmi Mikulovci of Trepca, Titova Mitrovica: "It is possible and essential to increase exports in 1982. The basic condition for that is increased production. By today's production we are not yet providing enough goods for both normal domestic demand and exports. We must make maximum use of our capacity."

Miran Goslar of Mercator, Ljubljana: "The fact is that in recent years, unfortunately, we have been increasingly interested in seeking goods, although as a function we should have been more concerned with sales. Other than alcoholic beverages and textiles, we can hardly choose anything; rather, we are lucky if we can get anything at all. As long as we continue to have that discrepancy between supply and demand, there will be no true prospects for solving economic problems."

Ante Markovic of Rade Koncar, Zagreb: "In our collective we have always sought the solution in expansion. I think that that is the only way. There is no solution to be found in restrictions, particularly of production."

It is normal for a man to ask how it is possible for such reasonable positions to be regarded as disputable at all. The stabilization process, however, has its own logic, which in a markedly greater measure depends on the relations between interests in society than it does on economic reasons, even when they are as simple as the idea that more rapid growth of total wealth eases the payment of both old and new accounts. It is a matter of

interests that are not established at all, or sufficiently, by self-management, but which have unusually great impact on the use of social resources. The sum of all these interests resulted in overall excessive consumption, which is the most important economic cause of economic disturbances. The first step to stabilization is the reduction of that excessive consumption, but in some proportional manner, in all its parts including investments and the budget and mutual and personal consumption. It is not, however, enough to settle the old accounts from the times when we spent more than we created. That was always possible only in one way,—through debt.

And so previously debts were accumulated, and now is the time to pay them back. This year Yugoslav payments to foreign countries, which are no secret, will amount to about 5.1 billion dollars, of which 2 billion will be interest alone. What remains is not enough to continue maintaining the front, even with reduced consumption, while at the same time purchasing sufficient imported raw and semi-finished materials for increased production. What is more, goods will be exported that actually are needed within the country. Here is a typical example from the PRIVREDNI VJESNIK survey which speaks of common window glass.

Stojadin Kanjevac of the Pancevo glass plant: "The market situation for our product will be improved domestically simply by the fact that we are forced to export more because of the balance of payments situation. To be specific, we must have foreign exchange in order to buy such raw materials as calcium soda, which in fact is produced by Lukavac but which that plant must export in order to buy propylene which it needs for its production. In that situation, Lukavac provides us with less soda, and therefore we have less glass for the domestic market."

In contrast to some notions that have been worn out by frequent repetition, the businessmen do not think that we should reduce mutual consumption. Abaz Deronja of Unis in Sarajevo, for example, said: "Sometimes when I follow the media I think that we will err if we wear ourselves out in disputes about contributions and our costs for schooling, health care and other similar activities. There too, much needs to be done, but even then the economy will not be contributing less; rather, it will expect better services."

The businessmen also do not give serious importance to a number of actions that are constant topics of conversation. As Denio Radic of Plava Laguna in Porec said:

Concerning savings, we have largely chosen to concentrate on peripheral measures, such as restricting funds for representation offices, advertisements and travel. In short we have limited those budgetary items that are only marginally involved in the overall cost structure. At the same time, in other areas, where the effects of more economical and rational use of resources would give much more significant results, such as costs of reproduction materials and investments, we continue to behave irrationally."

Naturally, the farthest thing from the minds of the businessmen is a further reduction in personal consumption. In their words, one of the essential conditions for faster and more rational production growth is "nurturing the work ethic" and more rapid growth of personal income, especially for productive and creative work. At the same time, they are conscious of the decline in the living standard both in their own collectives and in the society as a whole. The comments below range from "shoes to automobiles."

Franc Grasic of Peko, Trzic: "The average Yugoslav buys less than 2 pairs of shoes per year. We have already quite definitely felt the growth in living costs in our sales, which have declined, and we expect that to continue in early 1982. Therefore, we will concentrate somewhat more on cheaper footwear."

Ivan Sebalj of Varteks, Varazdin: "We feel the stagnation of sales because of the decline in the population's purchasing power, especially in our ready-to-wear goods. I think that domestic demand for ready-to-wear clothing will continue to fall."

Milan Bojanic of Crvena Zastava, Kragujevac: "The decline in demand is evident as a reflection of the falling purchasing power of the population. The decision to cancel consumer credit for purchasing private automobiles has had a negative impact on demand. There has been a particular decline in demand for cars with small engine displacement. The renewed approval of credit for purchasing private cars where credit covers a small part of the purchase price has not significantly changed the quite difficult situation in marketing so-called small cars."

The chief directions of the businessmen's criticism were investments and administrative expenses. Ante Markovic of Rade Koncar, Zagreb, put it this way: "It is a question as to whether everything that is being constructed should be finished, and whether all the new facilities can survive in tomorrow's market. But no one stops building, the only thing that occurs is an occasional extension of the completion date."

Miroslav Vucemilovic of Jugoplastika, Split: "The banks are tied up in long-term investments, but they are seeking short-term capital, so as to enable some to return unproductive credits that have been invested in facilities that are losing money. But let me be clear that it is not only the banks that are to blame for that."

Juraj Razmilic of Pliva, Zagreb: "We have constantly resolved current, concrete problems, but we have never faced the issue of implementing the system. Why? Because then we would not have been able to extract a profit from the economy, we would not have been able to implement our investment programs that did not come out of associated labor. But we should have started to put the system into operation, and then we would have seen what it should eventually include. Instead of that, we constantly hear how the system should be changed."

At the same time, those businessmen who produce goods intended for capital projects warn against the lack of measure in restrictive actions. Oskav Fodor of Pobeda, Novi Sad:

"Whenever we put on the brakes, we put them on suddenly and along all lines, without letting up until everything falls off the shelves. When you gather just the basic restrictions in investments, general and mutual consumption, in imports and in credit and monetary policies, what else can you get besides an environment in which, under the shelter and with the encouragement of administrative measures tinted by self-management, in a gladiator manner, you take the income from one federal unit and give it to another, from one sector to another. With a clock wound from one day to the next, under the pressures of the urge to survive, development concepts are smashed for the sake of short-term effects. Agreement negotiations lost their self-management content and objectives and became an instrument of administrative consciousness. From that point it is logical that a territorial concept of economic thinking took control."

Besides investments, the other excessive social expenditure, which eats up capital needed for more rapid growth in production, is administration. As Filip Negrievski of Jugotutun, Skopje puts it: "There is no economy that can support an administration such as has multiplied here in Yugoslavia."

Savo Lakic of the Titograd Aluminum Works: "Unfortunately, the tendency to expand that superstructure is found at all levels, everyone wants to have his administration, even the smallest production plants."

Anton Sipanic of Iskra, Ljubljana: "The effects of administration are papers. Nevertheless, we continue to increase the number employed, for example, in the federal administration, and then they ask the same thing from us, for every administration has to have someone with which it can correspond."

Damjan Rotim of Soko, Mostar: "Our productivity is frequently eaten into by the fact that the work of production workers must also support many social functions, so that it is essentially a common thing that new equipment and new production processes, which are otherwise at the levels of world production practices, become unprofitable and expensive. In production organizations, a part of the administrative personnel should be returned to production jobs."

The topic is not simply expenditures. The struggle with administration, instead of with the market, has become a means for gaining income, as Miran Goslar of Mercator, Ojbljana, states: "A man still sort of understands it when imports are involved, but for export transactions as well one has to go through a entire paper war."

Branko Jovetic of Naftagas, Novi Sad: "Getting a permit for a certain transaction takes so long that in the meantime the conditions change, so that the planned use venture afterwards does not pay."

Tone Krasovec of Uniles, Ljubljana: "Let us give that market at least a limited opportunity to function, without using an urgent medicine for the least little difficulty, an administrative decision. The latter certainly works fast, but it has one shortcoming,—it does not cure anything."

Milan Miletic of Kolubara, Lazarevac: "Today the state interferes in economic matters more than it did 15 years ago. It does that because of the impact of circumstances, so we should not reproach it for that. But it is not good that our sociopolitical communities have been transformed into the commercial structure of the economy. That leads to protectionism, and harms both the economy and the society."

Luka Brocilo of the Sisak Iron Plant: "The amount of administration keeps growing, so that the question emerges as to whether we are building a system of administration or of self-management."

Ante Markovic of Rade Koncar, Zagreb: "Administration is no longer simply a problem of accumulating papers and bureaucrats. It has become a matter of social relationships. The only escape is to enable the system to function as it has been agreed to and legally established by the Constitution and the Law on Associated Labor. That system is criticized as being complex, but it is only as complex as we want it to be."

An essential perception that emerges from this survey is that there are no varying opinions about the economic system as long as the discussion is conducted among businessmen. Their opinion is that the "system has been crudely violated," in the words of Abaz Deronja of Unis, Sarajevo. As Milenko Stanic of the Pancevo Chemical Industry put it: "The only thing we can say about the system is to express the request that the provisions of the Constitution and the Law on Associated Labor be implemented as quickly as possible. We are bothered by the lack of completion of the system and the interruption of production processes, by either administrative measures (even when necessary) or by limiting the unified Yugoslav market. Certainly we ask ourselves what our contribution to that is."

Nazmi Mikulovci of Trepca, Titova Mitrovica: "Entire segments of the economic system do not function in accordance with the established principles of the Law on Associated Labor and the Constitution, and with growing frequency measures are approved that hinder self-management contracting."

Kazimir Jelcic of Hercegovina, Mostar: "A system in which the principle of contracting and agreement negotiation dominates is the only one possible and suitable for associated labor."

For the businessmen, the only true stabilization can come from better work and greater production, but not just any sort. Rather, goods must be produced that by price, type and quality will be accepted on domestic and world markets. Objective economic laws and market criteria based on them are the most important conditions for an economy that works well,

develops the economy rationally and builds the system of socialist self-management. What criteria do we have in mind? In the first place, they include a realistic exchange rate for the dinar and free price formation, in accord with market conditions.

Franc Grasic of Peko, Trzic: "We believe that greater weight should be attributed to world prices. For equal quality, we should receive a price that is approximately the same as the world price."

Incidentally, the businessmen do not believe in the possibility of rapid reduction of inflation, and in general look askance at all "sudden" measures that are based on administrative force, and not on economic interests.

That point is stressed by yet another difference from "official" policy. Specifically, the businessmen do not support reducing imports. Their reason is not only the need for sufficient supplies of imported reproduction materials.

Janko Smole of the Ljubljana Bank, Ljubljana: "World competition should be made possible on the domestic markets, and that means that our market would be included in the international division of labor. Offering foreign goods on domestic markets would create conditions in which the domestic producers would have to compete abroad."

Vlado Trojak of Podravaka, Koprivnica: "What sort of inclusion in the international division of labor would it be if it were one-sided?"

Duro Stojanovic of Chromos, Zagreb: "Every time during our development when we became protectionist, we have lost as a society and as individual organizations of associated labor."

Naturally that cannot be done without markedly better economic organization. As Petar Dodik of the Zenica Mining and Metallurgical Works said: "I would warn of the fact that we must be careful so as not to provoke undesirable consequences."

Filip Negrievski of Jugotutun, Skopje: "We must liberalize imports much more, while buying abroad only as much as we can cover with foreign exchange. Exports alone, without the elements of world competition, are destimulative and finally hamper more successful entry into world markets. The organizations of associated labor do not have enough influence on foreign exchange expenditures. "The passive ones" get a place that does not belong to them, just to avoid any sort of political turmoil, but those who create the foreign exchange income are on the line getting the blows. Isn't that more harmful politically?"

Judging from the businessmen's answers, foreign exchange income and the possibilities for associated labor to increase its foreign exchange profits are the elements of the system that need to be put into effect first.

Velimir Ginovski of Jugohrom, Skopje: "Among measures that can affect operation results, I expect the most from the new foreign exchange policy. Eliminating the right to foreign exchange after the first time is a proper, flexible resolution for accumulated problems."

Dragutin Kosovac of Energoinvest, Sarajevo: "Administrative solutions and administration in general have grown so much that at times they hamper the development of relations with foreign countries."

Jozo Petovic of Saponia, Osijek: "The Federal Interest Community for Economic Relations with Foreign Countries should be an intermediary in forming associations, seeking and joining partners. It should become increasingly a place for negotiations and less a place for approving foreign exchange."

Damjan Rotim of Soko, Mostar: "Foreign exchange is distributed administratively, and something is always being sought from somebody."

Miodrag Mirovic of Montenegroturist, Budva: "That would speed the development of branches that can support the stabilization policy. It would also bring greater order into distribution and providing foreign exchange and, most important, we would move from proclamations about priorities to priorities themselves."

Mirko Simic of Sodaso, Tuzla: "A significant contribution to exports could be given by conscientious application of the Law on Foreign Exchange Transactions in the sense of self-management agreement negotiations of all links in the production chain, of all aspects of acquiring and distributing foreign exchange income."

Juraj Razmiliv of Pliva, Zagreb: "Associating and joint investing for transactions that produce foreign exchange income should support and create a suitable political and social climate. Relationships based on the new system are very difficult to establish, because every action and every association process is declared to be buying and selling."

The PRIVREDNI VJESNIK questionnaire has been based on the same two questions for the past 7 years,—on market conditions or the state of the market, and on the economic system. This time the economic system dominated the replies. The businessmen asserted that the system's potential has not been utilized, and its implementation is the only route to stabilization.

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LAW SAID TO DISCOURAGE FOREIGN INVESTMENT IN YUGOSLAVIA

Zagreb VJESNIK in Serbo-Croatian 13 Mar 82 SEDAM DANA p 6

[Article by Salih Zvizdic]

[Text] Never it seems has a law been such a failure from the standpoint of the subject matter it is supposed to regulate as is the case with the Law on Investment of Capital of Foreign Nationals in Domestic Organizations of Associated Labor. Matters are so strained that informed people say today that this law has in practice driven foreign investors away from the country. That it is a kind of antilaw!

I spoke about this with several of our respected business executives, but the most striking conversation seems to have been with Djuka Martinovic, executive vice president of the International Corporation for Investments in Yugoslavia, which has behind it fruitful work in organizing foreign investments in the country.

"Several comrades in the highest leadership of our government and in politics have on several occasions spoken abroad with foreign business executives about that law of ours. On such occasions they heard from potential investors of dollars quite a few objections, by and large the points being well taken, and promises were made that something would be done to amend the provisions of the law for the better. And they really have tried, but so far nothing has changed! The resistance of the administration has been very strong. Almost more powerful even than the endeavors of our federal officials, who, realizing the bad points of the law, have attempted to make certain corrections in it," Martinovic said.

The law referred to will soon have been in effect for 4 years, since it was passed in April 1978. It replaced the former Law on Investment of Foreign Capital, which, in the judgment of a majority, was much more acceptable for our own and foreign business people. From the very first the present law encountered sharp criticism from numerous business executives in Yugoslavia, who argued that "it drives foreign investors away." The authors of the law, however, said that the new law would prove itself in practice.

As indeed it has, but in what direction? While the number of investments of foreign capital under the 1973 law was 260, the figure has now dropped to 164.

For all practical purposes a stagnation has occurred in transactions of this kind; foreigners have almost entirely lost interest in investing their capital in our economy. Whereas the situation at one time was that foreigners would visit our OUR's [organization of associated labor], offering their dollars for joint investment projects, now our people go in search of foreign partners, usually in vain.

At this moment the feeling is very strong in a number of competent federal agencies that the law as it stands is outdated and should be amended. But if it is amended by the same authors who amended the 1973 law "in order to adapt it better to the conditions of our economy," which they did mainly without reaching an agreement with the economy, the baby might again be thrown out with the bath water. Certainly the possible changes and improvements, and it is improvements which are being discussed, should be left to the economy. Unfortunately, the administration has failed the test on this occasion.

Cash Investment Unattractive

It would not be feasible for us to attempt to give here everything that experience has shown to be poor or imperfect in this law, but we will attempt to call attention to at least the most pronounced examples.

Under the old law domestic and foreign partners could agree on how they would put up the capital intended for the joint venture. They could choose whether the investments (the ratio has always been at least 51:49 to the advantage of the domestic partner) would be made in cash or in credits which each would obtain on its own, or whether a part would be invested in cash or capital represented by the partner's own credit (equity), the remainder being supplied by obtaining joint credit within the work organization in which the capital has been invested. That is how it is done throughout the world.

But these present regulations, however, require that the investments be made in cash or credit which each partner obtains on his own. This essentially alters the former procedure of the joint venture, when the credit was repaid from the results of the joint venture before the actual division of income. Now everyone invests his own cash or his own credit. This is especially hard on foreigners. Because of the high interest rates on credit (up to 18 percent) and the taxes which the foreigner pays in our country on his profit from the joint undertaking, such investments have become unattractive.

Nor is it attractive for the domestic partner either, since as a rule he has more trouble than the foreigner obtaining credit, and he also has greater difficulty repaying it because not uncommonly the profit from the joint venture is less than the payment due on that credit. In this case the only OUR which fares well is one in which the partners have invested their joint capital. This OUR does not repay credits, since it never obtained them. In addition, it is left all its depreciation and all the funds for expansion of plant and equipment. The question of what interest a foreign partner would have in that situation is another matter, since he has come to make money, not to assist the development of our economy.

The institution of the so-called "compensation for business employment of capital" (this complicated phrase means profit) created the greatest difficulties for the foreign partner. That is, the law contains an unusual provision whereby the foreign investor does not obtain from joint income all the profit he is entitled to in proportion to his contribution on the basis of the capital invested, but only a part of that profit!

That profit is limited in advance in the very contract. But it is not limited by the partners in the joint undertaking, but by the administration, and that on the basis of very unreliable indicators. From the foreigner's standpoint the term "profit" is something which cannot be limited if business is conducted successfully and if capital is being formed. If profit created in this way begins to be limited, it becomes unattractive.

When it comes to the risk and losses, both partners bear equal consequences. On the other hand, the foreign partner's profit decreases as business improves. Restrictions on profit makes sense in the case of petroleum, gold, copper or other commodities affording large unearned income, but they are not justified in entrepreneurial transactions. Especially since in practice that provision has hardly any meaning whatsoever, since the rate of profit in income from these joint undertakings is usually such that restrictions do not come into play. Yet such provisions do have adverse psychological effects.

Everywhere a Different Tax

Our country has specific criteria concerning taxation of the profit of foreigners from joint ventures, since every one of our republics has set a different rate of the tax. For instance, Croatia and Slovenia tax the profit of foreigners at a rate of 35 percent, Serbia at 10 percent for its own underdeveloped regions and 15 percent for its advanced areas, Bosnia and Hercegovina at 10 and 20 percent, respectively, Macedonia at 10 percent, and so on.

The institute of the tax on profit is well known everywhere, and we are no exception in that. Yet there are in the world other customs concerning this taxation. That is, if the partner pays a tax on profit in the country where he has invested the capital, then that tax is not paid on the same profit in his own country. Our clients hold it against us that after they have paid the tax once here, they must pay it again in their own country. And they blame our legislation for that.

Because of the unevenness of tax rates, today the foreigners, if they want to invest, usually go to the republics with the lower tax rates. It seems like a crude paradox when a foreigner's profit from capital invested in an underdeveloped area of Serbia, say in Surdulica, is taxed at a rate of 10 percent, while in an equally underdeveloped area such as Donji Lapac in Croatia, the profit is taxed at a rate of 35 percent. It is logical for capital to flow toward the place where the tax rate is lower, and it is therefore no accident that Serbia, say, is recording a larger number of these joint ventures than Croatia.

The article of the law which speaks about returning the capital to the foreign partner was written in an extremely incomprehensible style, and in practice it has been interpreted to say that the foreigner's capital is returned to him in its nominal amount at the end of the life of the contract, which is usually 10 or more years later. Under present conditions of the strong inflationary trends, it is difficult and almost impossible to find an investor willing to invest capital which will be returned to him after 10 or more years in the same nominal amount. Such an investment is like a loan without interest.

In other countries the foreigner is usually granted interest on credits furnished for investment, as well as for the value of the new position on the market which the domestic organization has achieved through the effort and participation of the foreign national.

Whereas under the former law the import of equipment which the foreigner brings in as an investor and equipment purchased with the capital he has invested were not included in the import quotas of the republics and provinces, such importation is now included in those quotas. Paradoxical situations therefore come about where signed contracts cannot be performed, since the import quotas, which are anyway very restrictive, had already been allocated. In the rest of the world duty is as a rule lower on equipment imported as a part of a joint venture, since as a rule the products involved are intended for export [original reads "import"]. But we do not have benefits of that kind.

The extremely complicated procedure for registering these contracts is also a very serious difficulty toward carrying out a contract of this kind. The fatiguing effort to obtain documents takes as much as 600 days instead of the 60 foreseen by the law! There is no end to the certificates and pieces of evidence which must be obtained and the multitude of administrative traps and barriers that have to be hurdled in the form of various documents. To compound the trouble, any clerk working with this paper can challenge the validity of any document filed.

The way we have set up the procedure for recording contracts (in this case as in others) is that all the agencies involved come into play one after the other instead of working at the same time, as is the case in the rest of the world. This causes such delays and fatigue that some foreigners simply withdraw from the contract. We should also mention that this law could not be translated into English because of the complicated manner of expressing the legal and other subject matter.

The Foreigner Wants Profit

These are only the most essential objections to the present law, since it would not be feasible for us to undertake a more extensive analysis of each of its articles. It seems that its authors believed that foreigners could hardly wait to be allowed to invest their dollars in our country. They forgot that the foreign businessman is not interested in our ideological and economic motivations concerning the valuation of labor, but is motivated above all by profit or, still more accurately, by the amount of that profit. Incidentally,

the domestic partner also enters into this kind of transaction for the sake of earnings, that is, for the remainder of net income, even though the approaches differ.

At this point, when exports have become our standard of the success of every work organization, it is obvious that we need foreign investments more than ever before to create an expansion of exports. The joint ventures are by no means confined to construction of new factories. For example, much better solutions might be investment to expand bottlenecks in production, especially in production for export. Miracles could be worked in increasing production for export with relatively small capital, between \$500,000 or \$1 million, if the undertakings were properly guided. This has been confirmed by numerous examples in the country, such as Vuteks in Vukovar, Optyl in Ormoš, PPK of Zagreb, Sintelon in Backa Palanka, and so on.

All of these investments mainly involve, or could involve, production for export. Incidentally, the foreign partner receives both his investment and his profit from the export sales, and the exports are used to pay for all the components imported for production (raw materials, equipment, and so on). The essential thing to emphasize is that in every contract on a joint venture the foreign partner commits himself to guaranteeing export of the goods resulting from the joint business operation. After all, if that export does not occur, there will be no profit nor repayment of the investment.

When we are mindful of all this, the urgency of changes in this debatable law is really obvious. The system of joint ventures, aside from passing on up-to-date technology to our economy and strengthening the entry of domestic organizations on foreign markets (especially those with hard currencies), also offers an occasion for credit relations with the foreign partner to be replaced by long-term business relations of an altogether different character, to the benefit of the domestic partners.

In conclusion we should emphasize: it is by no means a question of letting in economic liberalism by the back door, nor even a particle of departure from the policy of our self-managing socialism, but of realistically examining the world around us. That same world toward which our economy and our society are in general wide open.

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BRIEFS

MILK CONTAINER DILEMMA--Due to a lack of containers in which to package milk and yogurt, the dairies in the Macedonian Republic are in danger of stopping production. All the dairies are supplied with milk and yogurt containers by Koplas of Skopje. Koplas is almost out of the raw materials for production of the plastic containers. The raw materials are supplied through imports for which Koplas has no hard currency funds. According to the commercial director of Koplas, the organization has not been able to arrange for the hard currency funds or the right to import. To make the paradox even greater, the raw materials that Koplas previously ordered have arrived and are sitting in customs, but Koplas cannot pick them up because they have no hard currency rights. In Koplas they say that they are considering entering into a self-management agreement in order to acquire hard currency rights, but to accomplish this goal they would have to purchase the hard currency "under protection", which is 100 percent more expensive by this method than the exchange rate. This the organization cannot do because it brings into question the profitability of production. [Text] [Skopje NOVA MAKEDONIJA in Macedonian 21 Mar 82 p 3]

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